

FINANCIAL TIMES

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D 8523 B

EC funding: how
not to run out
of money, Page 16

NEWS SUMMARY

GENERAL

French Premier attacks agitators

French Premier Pierre Mauroy said extreme right-wing groups were using current student unrest to "sow disorder". He warned students against being used by provocateurs, whom he promised would be punished by the forces of the Republic.

Control on cruise

UK Premier Margaret Thatcher said there would be joint control with the U.S. over cruise ships due to be stationed in Britain later this year. Page 13

Austrian leader

Fred Sinowatz, 54, will lead a coalition government in Austria composed of Socialists and Liberals.

Jumbo jet fire

More than 300 passengers were evacuated from a British Airways Boeing 747 at Johannesburg airport when an engine caught fire before takeoff.

Director can work

Poland's culture ministry said film director Andrzej Wajda could still work in the country despite being dismissed as head of a studio.

Pope 'plot' doubts

A U.S. television team cast doubt on allegations that the shooting of the Pope was a Soviet conspiracy, saying that a letter from the Pope to President Brezhnev was never written.

Australia inquiry

Australia's Government announced a royal commission into security services after scandals over an expelled Soviet diplomat and Labor Party national secretary David Cobbe. Page 4

Salvador aid threat

The U.S. Senate foreign relations committee voted to cut off aid to El Salvador unless the Salvadoran Government stops right-wing death squads from killing civilians.

Greens arrested

Petra Kelly, founder of West Germany's Greens party and a member of the Bundestag, and four other party members were arrested after a demonstration against nuclear weapons in the heart of East Berlin. Page 2

Protest victims

At least two people were killed and 200 arrested during Chile's first national anti-government protest since General Pinochet's military regime took power nearly 10 years ago. Page 18

Tornadoes in China

Tornadoes, hail and rainstorms killed 11,000 in Hunan, China in late April and early May.

Briefly...

Greek workers at U.S. military bases are to strike over alleged bad treatment.
Israeli missile attack on Andimesh, south-west Iran, killed at least 16 civilians.
Demonstrations in New Caledonia in the Pacific were triggered by the death of a Melanesian after an argument with a French settler.

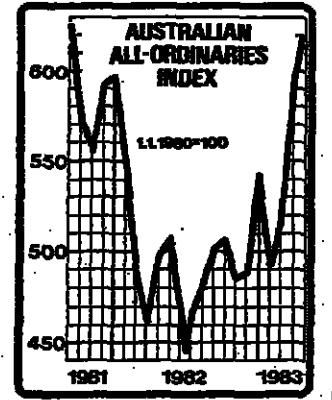
BUSINESS

Watch groups plan merger

SWITZERLAND'S two leading watch companies, Asag and SSN, are likely to merge. According to a statement made by Asag last night, a "financial amalgamation" is foreseen. The operation and marketing activities of the two groups, and brand names, would remain separate. The merger is likely to create the world's largest watch group.

UK GENERAL ELECTION has prevented North Sea oil companies from winning a large tax concession since the Government ran out of time in its bid to abolish royalties on newly developed fields. Page 18

GOLD fell \$4.25 in London to \$293.5. Frankfurt and Zurich markets were closed for Ascension Day. In New York, the Comex May settlement was \$293.7 (\$433.9). Page 39



AUSTRALIA: All-Ordinaries index edged up 0.7 to 613.4, a 20-month high and a rise of 39.9 since the start of the week. Page 35, 38

DOLLAR rose to DM 2.4385 from DM 2.439 and Y231.3 (Y231.2) but eased to FF 7.335 (FF 7.34) and Sfr 2.02 (Sfr 2.025). Its Bank of England trade-weighted index was 121.5 (121.4). In New York, it closed at DM 2.4425; Sfr 2.0270; Y231.95 and FF 7.3550. Page 42

STERLING rose 10 points to \$1.5685. It also rose to DM 3.83 (DM 3.8275) and Y231.3 (Y231.2) but held at FF 7.335 and fell to Sfr 2.17 (Sfr 2.19). Its trade-weighted index was 84 (83.9). In New York, it closed at \$1.5685. Page 42

WALL STREET: Dow Jones index closed 5.32 off at 1,214.48. Report, Page 35. Full share listings, Pages 36-38

LONDON: FT Industrial Ordinary index fell 4 to 665.6. Government securities eased. Page 35. FT Share Information Service, Pages 40-41

TOKYO: Nikkei Dow index fell 37.96 to 8,653.9. Stock Exchange index slipped 2.67 to 631.4. Page 35. Leading prices, other exchanges, Page 36

PAUL VOLCKER, chairman of the U.S. Federal Reserve Board, will be replaced this summer, a senior economist at First Boston predicted.

MANVILLE Corporation is seeking to reorganise unless it can secure a deal to settle outstanding asbestos health claims against the company for a fixed sum. Page 18

IMF recommended devaluation of the Venezuelan bolivar as a condition for agreeing to standby credit.

UNITED BRANDS, the world's largest importer of bananas, is forecasting a net loss for the nine months to March 31 because of restructuring costs. Page 19

KAISER STEEL of the U.S. rejected a takeover worth at least \$205m by a Wall Street investment group. Page 19

TRANS WORLD, the U.S. airline, company, claimed victory in its battle with a dissident shareholder group that wants to split up the company. Page 18

White House shifts approach to nuclear arms negotiations

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

A SIGNIFICANT shift is under way in the Reagan Administration's approach to nuclear arms control negotiations with the Soviet Union, most notably in Washington's attitude towards the strategic arms reduction talks (Start) that have so far made little progress in Geneva.

The White House is still studying options for changing its original Start proposals, which called for sweeping cuts in both sides' forces along fairly traditional bargaining lines with a new limit of 5,000 each on warheads and an 850 sub-limit on missiles.

White House officials and President Ronald Reagan himself have now given clear indications that the re-thinking process is likely to produce a more radical departure from past strategic arms negotiating concepts.

The shift is due to three closely interwoven elements.

First, there is the growing public concern both in the U.S. and Europe over the unchecked growth of nuclear weapons. Next, there is the need, essential in the White House's view, to win Congressional endorsement of Mr Reagan's MX intercontinental missile programme. Finally, there are last month's recommendations by Mr Reagan's special commission on strategic forces (the Seaworth Commission), which would combine MX deployment into a new approach to arms reduction.

Mr Reagan now accepts that he cannot have the MX without such a change of emphasis.

The Administration has said that it approves the general approach of the Seaworth Commission, which would involve moving to smaller, single-warhead missiles such as the proposed U.S. "Midgetman," and counting warheads rather than missiles in the arms talks.

Serious consideration is now also being given to the so-called "build-down" proposal, under which the U.S. and the Soviet Union would remove two old warheads (or perhaps missiles in some cases) for each new one deployed. The Administration said earlier this week that

while some important details remained to be worked out, it agreed with the overall "concept" of the build-down approach.

The result, if the Soviet Union agrees, might be a move towards a safer world, in which there would be much less temptation for either side to launch an attack, according to the proponents of the new approach. Small single-warhead missiles would be less "valuable" as targets than today's big multi-warhead missiles, more widely dispersed and less vulnerable.

The Administration is clearly encouraged by the Soviet Union's offer to count warheads rather than missiles in the parallel Geneva negotiations on intermediate-range nuclear forces in Europe (INF). Significantly, too, Mr Reagan has now publicly accepted that the giant 10-warhead MX might be used as a bargaining chip in Geneva, possibly paving the way to a more stable balance of forces based on smaller missiles.

One option under consideration would be to remove the 850-missile limit from the Start proposal, or increase it, to allow a greater number of smaller missiles. The Administration now believes that missile limits simply encourage both sides to put more warheads on each launcher.

An agreement along the new lines is not, however, going to be possible politically in Washington unless Moscow agrees to strict verification procedures to control the deployment of warheads, which are much more difficult to monitor than missiles. In that context, the Administration has been expressing serious concern over recent Soviet secrecy-shrouded test firings of two new intercontinental ballistic missiles, which may well be in violation of the unratified Salt 2 agreement.

Some opponents of the MX, however, believe that failure to reach an accord on verification will simply allow Mr Reagan to slip out of any new arms agreement, while continuing to rebuild U.S. forces. The new approach, they say, is simply a "smokescreen."

Senate vote setback for U.S. budget

BY OUR U.S. EDITOR IN WASHINGTON

THE U.S. SENATE yesterday killed three 1984 budget proposals, put by Republican leaders, Republican moderates and Democrats, and compounded the atmosphere of deadlock and budgetary confusion that has reigned on Capitol Hill in the past two weeks.

The Senate budget committee has been asked to make new proposals.

On the first vote, seven moderate Republicans broke ranks and joined the Democrats in a 52-48 vote against the leadership version, which received the reluctant endorsement of President Ronald Reagan last week.

The Republican leadership had proposed a 7.5 per cent real increase in defence spending next year, against the 10 per cent originally sought by Mr Reagan, and full implementation of the final 10 per cent instalment of his three-year tax-cutting programme.

Two more versions of the budget remained to be voted on - a Democratic proposal and a compromise proposed by five moderate Republicans, who are believed to hold the balance of power on the Senate floor.

Both proposals called for increased taxes and a lower rise in defence spending.

The deep split in the Republican ranks is over whether extra taxes need to be raised in 1984 to help close yawning budget deficits.

The leadership's proposal provided for virtually no tax increase, Continued on Page 18

Economists call for co-ordinated EEC reflation

BY JOHN WYLES IN BRUSSELS

EEC governments are being urged by a team of top international economists to launch a co-ordinated programme of fiscal expansion in a new report which is highly critical of UK budgetary policy.

The economists, headed by Professor Rudiger Dornbusch, of Massachusetts Institute of Technology, argue that most member states would run few risks of re-igniting inflation through expansionary policies.

They claim that inflation is now falling so rapidly, that "expansion and a lowering of slack in the labour market does not mean sharply rising inflation."

In the UK, fiscal policy has been "severely misdirected," say the five economists. If the budget deficit is adjusted for inflation and cyclical trends "one finds that in the deepest recession for 50 years the Government runs a whopping surplus in excess of 6 per cent of gross domestic product (GDP)," argues the report.

It goes on to argue that the UK and other member states should move away from deflationary policies by a co-ordinated expansion programme which would imply "smaller deficits and smaller deterioration in the external balance with the associated risks of depreciation and inflation."

Increased imports would be matched by increased export revenues to the partner country which is also expanding, claim the economists. They concede that import "leakages" from third countries would occur but the costs would be offset by increased EEC exports.

The group says: "In sum, a co-ordinated expansion is a vastly more effective, less risky venture, and for that reason must be insisted on."

The report takes up European

Kenya 'plot' row strains relations with UK

By Michael Holman in Nairobi

ALLEGATIONS by President Daniel arap Moi of Kenya that foreign powers are plotting to overthrow him have generated a political storm that threatens to strain relations with Britain.

The allegations which underline the intensity of rivalries within President Moi's government, are worrying because Kenya's Western allies have been looking for signs that the country has fully recovered from the abortive coup of August 1 last year.

President Moi first made his accusations last weekend, when he said foreign powers were grooming "a certain person" to take over the presidency. Politicians and diplomats believe he was referring to a member of his own Cabinet.

The link with Britain came when he contrasted London's tolerance of Kenyan political exiles who regularly denounce the Nairobi government, and the status of the exiled Zulu monarch, Ntshenzile, who was requested to engage in political activity while in London.

President Moi's grievance was emphasised the following day by the Kenya Times, owned by the ruling Kenya African National Union (KANU) party.

"In the activities of dissidents 'in London and other places' were not curtailed, it said, 'it will be difficult for one not to see a correlation between these activities and the plot by foreign countries to impose a leader on Kenya'."

The furor then rose a further pitch when the secretary of KANU's parliamentary group, Mr Francis Mutwol, this week called on the party to identify a mysterious "traitor" in government ranks.

The suggestion that Britain should wish to destabilise Kenya seems surprising. Britain played a leading role in marshalling additional aid after last year's coup attempt, is Kenya's largest single trading partner and conducts military training exercises in Kenya each year. The Queen is due to make a state visit in November.

But relations were disturbed last month, when Kenyans took umbrage at publicly critical remarks made during a visit by Mr David Steel, the British Liberal party leader. Sir Leonard Allison, the British High Commissioner, was called in to hear a protest from Dr Robert Ouko, the Kenyan Foreign Minister, and President Moi himself publicly expressed his anger.

The seriousness with which the affair is being taken is a symptom of the uneasy state of Kenyan politics over recent months, during which there have been verbal battles between factions in the Cabinet and KANU.

The bitterest rivalry has been between two men, Mr Charles Njonjo, Minister of Constitutional Affairs, and Mr Mwai Kibaki, the Vice-President.

Bolivia reaches 'understanding' on \$450m debt

BY WILLIAM HALL IN NEW YORK

BOLIVIA has taken the first step in restructuring its \$3bn debt owed to international banks and has reached an "understanding in principle" on the restructuring of \$450m of principal payments, which fall due between now and 1985.

Representatives of the Bolivian Government and the co-ordinating committee of the 128 commercial banks that have lent money to Bolivia issued a joint statement in New York on Wednesday evening after two days of negotiations.

The vaguely worded "understanding in principle" follows what were described as intense and constructive negotiations designed to normalise interest and debt repayments that are overdue.

The statement said the understanding would form part of a global package to include agreements of the Bolivian Government with the International Monetary Fund, the World Bank and other international organisations, as well as the refinancing of outstanding bilateral debt of Bolivia to various foreign countries in an endeavour to assist with the country's present economic crisis.

Despite the understanding in principle, it is clear that considerable work remains to be done before Bolivia can complete its restructuring of its debt. It is understood that Bolivia has agreed to pay the \$450m of interest still overdue on its debt and that will be done through monthly instalments between now and September.

The country is also understood to be trying to get commercial-bank agreement to extend debt repayments due over the period 1983 to 1985 for up to seven years, with a four-year grace period.

In New York and Washington today, a week of talks will begin with Brazil which are expected to pave the way for a formal request to its commercial-bank creditors for a new jumbo loan, Andrew Whitley writes from Rio de Janeiro.

The alternatives under consideration reportedly include a \$1.5bn jumbo loan to clear the growing mountain of debt arrears, and, possibly, a companion loan of similar size to give the Government its long-desired "cushion of liquidity."

The conviction that last February's \$27bn package of financial assistance for Brazil is proving unworkable - and has to be modified to permit the entry of urgently needed fresh funds - is growing among foreign banks here and, privately, among Brazilian officials.

A chief architect of the banks' rescue programme, Mr Anthony Gebauer of Morgan Guaranty, recently acknowledged publicly in Brazil that the Government should have requested more money in the first place.

Today a strong Brazilian delegation, led by Sr Carlos Langoni, the central bank governor, is due to meet the major U.S. banks co-ordinating the four points of the February package, for what is likely to be a wide-ranging stocktaking session, in New York.

The outcome will help shape the strategy to be adopted at a broader meeting with Brazil's U.S. bank creditors scheduled for next Friday, again in New York.

\$530m bridging loans for Chile

By Alan Friedman in London

THE BANK for International Settlements (BIS) in Basle has approved a \$530m short-term bridging loan to Chile.

The loan, according to bankers involved in Chile's debt rescheduling talks, was approved during a meeting in Basle which ended on Tuesday. The \$530m, needed to help Chile through the next few months, is larger than the amount originally contemplated.

It remains unclear whether the U.S. Government, which was considering providing about \$100m in bridging loans, has participated in the BIS facility.

In addition to the BIS loan it emerged last night that Chile's 12 adviser banks have tentatively approved a \$180m bridging loan. Each bank is said to be providing \$15m.

This commercial bank bridging loan will be secured by the pledge of Chilean-held gold reserves. Chile is believed to have around \$600m worth of gold, as well as \$1.3bn in foreign exchange.

Central bank officials left Santiago yesterday to join a series of meetings with U.S. regional bank creditors. The delegation is to visit seven American cities during the next six days, beginning with a meeting in San Francisco this morning.

Earlier this week Sr Carlos Caceres, Chile's Finance Minister, talked with more than 70 banks at a London meeting.

The meeting urged bankers to back Chile's rescue package, which includes the rescheduling of \$3.4bn of debt.

Anti-government protests, Page 18

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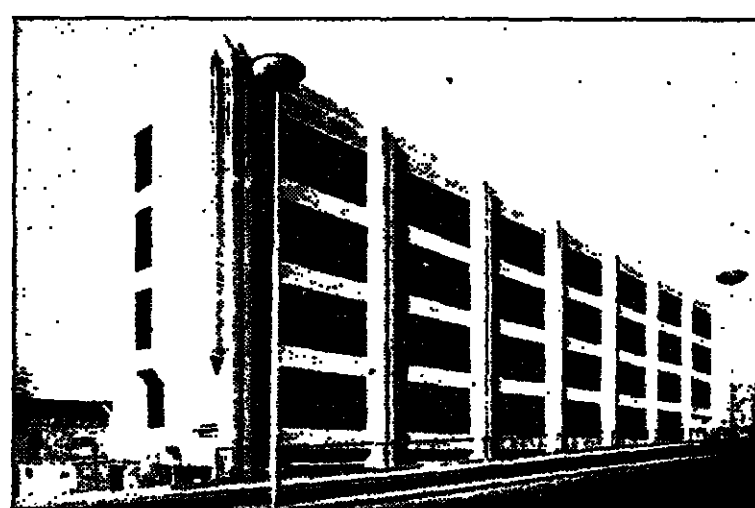
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SPACE COMMUNICATIONS

Europeans trail behind in fledgling satellite industry

BY DAVID MARSH IN PARIS

FROM his 47th floor Parisian office in the Montparnasse Tower, Europe's tallest office block, Sig Caruso, a veteran of nearly 40 years of experience with the Italian telecommunications authorities and in international space communications, looks at the fledgling industry which will soon be big business — satellite telecommunications and TV transmission within Western Europe.

He is at the centre of a simmering dispute within Intelsat, the 108-country Washington-based organisation which has run international satellite communications since the first Early Bird was launched over the Atlantic in 1965.

Intelsat, which is dominated by the U.S. with a 24 per cent voting stake, is jealous of the nascent powers of its smaller sister, but Sig Caruso says the real issue is about which companies — European or American — will build the communications satellites which will soon be sweeping the globe providing TV programmes, telephones and video services and data transmission for European homes and businesses.

"If it doesn't do anything, Europe will have the services provided by somebody else," says Sig Caruso. "I have seen the unused capacity at British Aerospace, Messerschmitt and Matra. It is really a pity that we have all these facilities unused because American companies like Hughes, TRW and RCA are making all the satellites for the rest of the world."

Apart from providing the satellites for Europe's own space efforts, Sig Caruso says that European aerospace companies should also be more involved in building satellites for Intelsat. Aerospace of France and British Aerospace have been given a role in building the latest generations of Intelsat satellites, Intelsat-5 and 6, but the prime contractors are American — Ford and Hughes.

Opportunity

"European companies have received contracts in a subordinate role to keep them quiet — but they should be given the opportunity to become prime contractors," says the pugnacious Sig Caruso. With each satellite costing \$40m upwards, a great deal of money is at stake.

Under the agreement setting up the organisation last autumn, Intelsat has been given a five year "probation period." After 1988, Intelsat will have the ability to block Eutelsat's potentially wide-ranging activities in providing international business services. Business services will make up only a small part of the telecommunications from the two or three satellites Eutelsat plans to have operating over the next few years, which will concentrate mainly on providing TV and telephone links. Later on, however, says Sig Caruso, "We

expect that business services will explode."

Sig Caruso, a veteran of nearly 40 years of experience with the Italian telecommunications authorities and in international space communications, knows Intelsat well — he was its deputy director-general for about five years until the end of 1980.

Eutelsat will have to renegotiate its activities with Intelsat in 1988 because of the clause in Intelsat's articles of agreement which proscribes countries setting up rival communication systems likely to cause Intelsat economic damage.

Disappointed

Pointing out however that Intelsat at the moment provides hardly any of Europe's international telephone traffic (only about 10 lines between London and Athens), Sig Caruso says: "Eutelsat is not competing with Intelsat. We simply want to avoid Intelsat invading Europe."

The statute of limitations on Eutelsat's activities was worked out last October between the U.S. and Europe. Sig Caruso says he was disappointed at the weak line taken with the Americans by the European telecommunications agencies which own Eutelsat, and which also have stakes in Intelsat.

"I was expecting someone to say — stop it this is nonsense," he said. Now however, the Eutelsat members (headed by France and the UK with a 18.4 per cent stake each, Italy with 11.4 per cent and West Germany with 10.8 per cent) have told him to disregard the Intelsat deadline and "keep going with my plan," he said.

Eutelsat's plans have been held up by another someone to block who has nothing to do with international politics — the problems of Europe's Ariane space rocket. Following the Ariane crash last September, the launch programme has been put back and Eutelsat's first satellite, ECS-1, is not scheduled to go into orbit until June 3, the date of the next Ariane flight.

A second satellite is planned to be launched in March 1984, with possibly a third one shortly afterwards. Around three-quarters of the available capacity of the first batch of satellites will be used to beam TV programmes to European countries, mainly in association with cable networks.

Eutelsat will also be handling the pan-European communications of the French satellite telecommunications system, Telecom 1. Planned to be operating in 1985, Telecom 1 will provide business services for six or seven European countries.

If plans to launch the third ECS satellite are confirmed, Eutelsat will need a total of five satellites (including spares and replacements) over eight years. Later (in about 1988 or 1989), work will have to start on the second generation of bigger and more advanced ECS satellites planned to be operating from 1992 — but only if Eutelsat is still in the market for providing business services.

Syria unlikely to withdraw Lebanon troops

BY PATRICK COCKBURN IN DAMASCUS

SYRIA IS unlikely to agree to withdraw its 35,000 troops from Lebanon now or in the near future, according to diplomats in Damascus. They also believe that yesterday's visit to the Syrian capital by Mr. Elie Salem, Lebanon's Foreign Minister, is unlikely to see any softening of Syria's position.

The Lebanese are optimistic if they expect to achieve anything, one diplomat said yesterday. "The Syrians feel the Israelis are bogged down in Lebanon and see no reason for getting them off the hook," Syria also feels it cannot be a party to the troop withdrawal agreement between Lebanon

and Israel, negotiated during a two-week visit to the region by Mr. George Shultz, the U.S. Secretary of State, Damascus sees the accord as, in effect, a peace treaty between Israel and Lebanon.

This means the agreement will remain a dead letter, for the Israelis stress they will not pull out of Lebanon before the Syrians and the Palestine Liberation Organisation.

Syrian confidence has been given a boost by greater military and diplomatic support from the Soviet Union. Further supplies of equipment have arrived through the Northern Syrian port of Tartous.

Syria has sent a fresh brigade into Lebanon to reinforce its position in recent weeks.

But the new Soviet equipment, especially the establishment of at least two Sam-5 anti-aircraft missile bases close to Damascus and the northern city of Hama does not reduce Israel's military superiority.

The Sam-5, originally deployed in the Soviet Union in the early 1960s, is primarily for use against high-flying bombers. It is largely a symbol of Soviet support for Syria's president Hafez Assad and a boost to the morale of the Syrian air defences.

David Marsh reports from Paris: Prince Sultan bin Abdul Aziz, the Saudi Arabian Defence Minister, yesterday dampened U.S. hopes that his country could play a direct role in persuading Syrian troops to leave Lebanon.

At the end of a 31-hour meeting in Paris yesterday with Mr. Caspar Weinberger, the U.S. Defence Secretary, Prince Sultan said the presence of Israeli and Syrian troops in the country represented two separate issues.

Whereas withdrawal of Israeli troops was "inevitable," he said, the Syrian army had been invited in by Lebanon and

its departure would also depend on Lebanese wishes.

The Saudi Minister's remarks followed his comment in Paris on Wednesday evening, after a meeting with President Francois Mitterrand, that Riyadh would not allow Israel to be used as an "instrument" of any country to exert pressure against Arab interests.

The U.S. has been trying to win direct Saudi help for the peace plan worked out by Mr. Shultz. Prince Sultan is in France for a week-long visit during which he is also discussing with the Paris Government an extension of a big arms deal first signed in 1980.

Nigeria task force to tackle shortages

LAGOS — Nigeria has set up a task force to tackle shortages and soaring prices of consumer goods in the country, Mr. Adamu Ciroma, Agriculture Minister, said yesterday.

Mr. Ciroma, a former Central Bank governor, said he and other members of the task force had met and drawn up a list of items in short supply. Locally-manufactured soaps, detergents, toiletries, tyres, tubes and drugs were among the scarce goods. Imported milk, milk powder, vegetable oils, baby foods, vehicle and industrial spare parts and newsprint were also in short supply.

Mr. Ciroma did not say by how much prices had gone up but local newspapers have reported increases of as much as 100 per cent in the past five months. The task force would speed the issue of raw materials and essential goods to ensure they were available in sufficient quantity.

Reuter

'Front line' leaders hold one-day summit

DAR-ES-SALAAM — Leaders of black African "front-line" states opposed to white rule in South Africa began arriving here yesterday for a surprise one-day summit.

The heads of the "front-line" nations — Tanzania, Zimbabwe, Zambia, Mozambique, Botswana and Angola — are expected to discuss the issue of independence for Namibia (South West Africa) and alleged South African destabilisation in Southern Africa.

The meeting, called at short notice, will be chaired by Tanzania's President Julius Nyerere.

Reuter

Ivory Coast builds a modern folly

BY PETER BLACKBURN IN YAMOUSSOUKRO

YAMOUSSOUKRO — Africa's Brasília and a latter-day Versailles — has finally fulfilled its vocation to be the capital of the Ivory Coast. Buried in the bush, Yamoussoukro owes its dramatic promotion to being the birthplace of President Houphouët.

The statue of limitations on Eutelsat's activities was worked out last October between the U.S. and Europe. Sig Caruso says he was disappointed at the weak line taken with the Americans by the European telecommunications agencies which own Eutelsat, and which also have stakes in Intelsat.

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Yamoussoukro's five-star President Hotel.

content in intellectual circles both over the way the decision was made as well as over the choice of Yamoussoukro. It is felt that the national debate was already carried out. Unlike other new African capitals, such as Nigeria's Abuja, a considerable amount of infrastructure is already in place.

Property developers in Abidjan view the transfer with dismay. There will be much vacant office space — notably in the new "Cité Administrative" — and expensive villas with swimming pools are expected to be difficult to let.

A timetable for the transfer has still to be fixed, but it is understood that it is likely to take place progressively over several years.

Foreign diplomats have expressed little enthusiasm for the transfer despite the prospect of a more relaxed life style and a healthier climate. The move will also involve investment in new embassies and staff accommodation.

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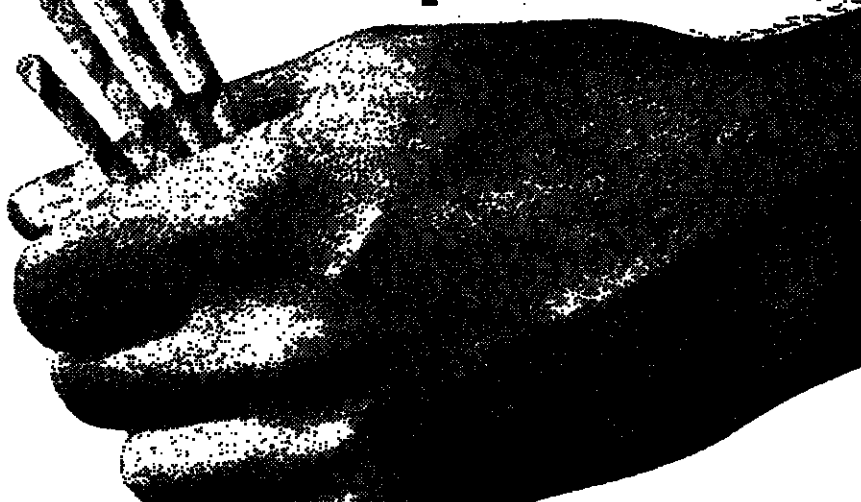
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OVERSEAS NEWS WORLD TRADE NEWS

Japan says Asean understands need to boost defence outlay

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

LEADERS of the five-member countries of the Association of South-East Asian Nations (Asean) have expressed "clear understanding" of Japan's policy of spending more on its own defence, the Japanese Foreign Ministry said yesterday.

The Ministry was commenting on the 11-day visit to Indonesia, Thailand, Singapore, Malaysia and the Philippines just concluded by Mr Yasuhiro Nakasone, Japan's Prime Minister. Mr Nakasone also visited the Sultanate of Brunei.

The Ministry said Mr Nakasone had tried hard to remove previous misconceptions on the issue of Japanese defence.

He had stressed that Japan's policy was to spend only the "minimum amount" needed to guarantee its security against attack, although he left open the possibility that this might turn out to be substantially more than Japan has been spending recently.

A better understanding by South-East Asian leaders of Japanese defence policies was one of several "positive results" of the Nakasone tour, in the view of Foreign Ministry officials.

The others included greater efforts by Japan to open its market by expanding its system of preferential tariffs on manufactured products imported from developing countries, and increased foreign aid in the form of specific commitments to four out of five Asean member-countries.

Mr Nakasone was also said to have offered to "speak for" Asean at the Williamsburg summit of industrialised countries at the end of this month on

C. ITON has become the first of 11 of Iran's Japanese crude oil customers to enter into a new contract to replace those which expired at the end of March, but the volume involved is less, Richard Johns writes.

It is to buy 20,000 barrels a day at the official selling price of \$28 for Iranian Light and \$26.90 for Iranian Heavy compared with 50,000 b/d under the contract which expired six weeks ago.

Issues relating to North-South economic relations. The offer was welcomed by Asean heads of government.

Another Japanese proposal accepted by the Asean governments was for a ministerial conference between Japan and the Asean nations on the exchange of science and technology.

Mr Nakasone's visit to Asean has been billed as a success by most Japanese commentators, particularly in view of progress towards a better understanding on the defence issue.

The Prime Minister failed however to respond positively to a request for help in the development of Indonesia's defence industries. He also seems to have left open the question of whether the Japanese Government will agree to convert to equity its loans to the ambitious Sumitomo petrochemical project in Singapore.

The Sumitomo project is expected to incur heavy losses after it comes on stream this summer, partly because of a delay in the opening of one of the project's downstream facilities.

Australian security inquiry

BY COLIN CHAPMAN IN CANBERRA

THE AUSTRALIAN Government last night announced a Royal Commission into the nation's security and intelligence services.

The inquiry will cover ASIO, the domestic security service, ASIS, the top-secret foreign intelligence organisation, and the specific activities of Mr Valeri Ivanov, the expelled Soviet spy, and Mr David Combe, former national secretary of the Australian Labor Party, whose name was linked

with that of Mr Ivanov by Mr Bob Hawke, the Prime Minister, earlier this week.

● Australia's Treasurer, Mr Paul Keating, said last night the Government would be shortly reviewing foreign investment guidelines with a view to tightening rules on property, manufacturing industry and the services sector.

Mr Keating said in a radio interview the Government would be looking at equity guidelines

Lloyds Bank fined for observing Arab boycott

By Maurice Samuelson

LLOYDS BANK International has fallen foul of the U.S. prohibition on compliance with the Arab boycott.

According to the U.S. Commerce Department, the bank's New York City branch has agreed to pay a fine of \$25,000 for allegedly implementing letters of credit containing Arab boycott provisions, in violation of the Export Administration Amendment Act. Lloyd's head office in London has refused to comment on the case.

The Act requires U.S. persons to report to the Commerce Department all requests to support a boycott against a country friendly to the U.S.

On March 1, the Department complained to the bank about anti-Israel boycott clauses in documents covering exports to several Arab countries between 1979 and 1981.

One of them was a letter of credit, issued by the bank's Bahrain branch, specifying "that the goods are neither of Israeli origin nor do they contain Israeli materials nor are they being exported from Israel."

The Department subsequently announced that Lloyd's had agreed to pay a civil penalty of \$25,000 for having allegedly implemented two letters of credit containing conditions prohibited by U.S. regulations. Lloyd's also agreed to take corrective measures to ensure its future compliance and to report the measures to the Commerce Department within six months.

Comprehensive legislation against foreign boycotts was introduced in the U.S. by the Carter Administration in 1977. Its main effects are exemplary rather than punitive, with penalties rarely exceeding those paid by Lloyd's Bank.

In the year ending September 30 1981, the last full year for which figures are available, some 2,000 U.S. companies reported receiving about 50,000 requests from abroad to engage in restrictive trade practices, the vast majority connected with the Arab boycott of Israel.

\$870m COMMITTED TO EIGHT PROJECTS

World Bank finds a role in China

BY COLINA MACDOUGALL IN WASHINGTON

GROWING TIES between China and the World Bank are reflected in forthcoming visits to Peking by top Bank officials.

Mr A. W. (Tom) Clausen, the World Bank president, will make his first visit to Peking in his current post later this month for talks on furthering the bank's involvement.

This will follow immediately a trip by Mr Carlo Koch-Weser, chief of the bank's China programmes division, which begins this week.

New projects now under discussion, Mr Koch-Weser said, include urban development in Shanghai, such as anti-pollution measures, housing, water supplies and health care.

On his return to Washington, Mr Koch-Weser will stop in London on June 6 for talks with British trade officials and businessmen on opportunities in China in World Bank sponsored schemes. These now number eight, for which \$870m has been committed. In the energy field, where \$200m is being spent, two coal projects in Shanxi Province, the Luan and the Jing-Chan mines, are thought

particularly likely to interest British mining machinery companies.

The World Bank development at the mines is expected to boost production by 8m tonnes.

Other energy projects include raising output at the Dagang and Zhongyuan oil fields, in Heilongjiang and Anhui provinces respectively where the rate of return on investment are expected to grow enormously, Mr Koch-Weser said.

On top of that there will be a number of important hydro-power projects. "We will see major involvement in energy for the future," Mr Koch-Weser added.

Other sectors receiving World Bank loans are currently port and railways (\$125m) agriculture (\$140m) and education (\$270m).

To improve Chinese management, the bank, together with China's ministry of finance, is now running an economic development institute in Shanghai which has already trained hundreds of officials.

The new institute has begun training with CIB officials in



Mr A. W. Clausen: to visit Peking.

ment is sometimes viewed as ideologically suspect, the bank has faced problems with officials unwilling to divulge economic information. But bank officials believe that the development that future loans could bring will convince them of the value of the bank's role.

Funds borrowed so far have been a mixture of long-term no-interest loans from the International Development Agency (IDA) branch of the bank and the International Bank for Reconstruction and Development (IBRD), where interest rates are normally about 10 per cent and the repayment period 15-20 years.

But the size of funds available to the IDA in future is uncertain and China will be competing with areas such as sub-Saharan Africa whose needs are greater. "China can afford now to borrow from IBRD or even from commercial banks," said one official, "but once it starts to buy foreign equipment under its modernisation programme its present \$15bn foreign exchange reserve will quickly disappear."

Investment appraisal, using methods such as shadow pricing, hitherto unknown in China. This has aroused keen interest in the Chinese academy of social sciences, the Government's economic think-tank. In China's sensitive political climate, where foreign involve-

Kobe Steel to build aluminium mill in Bahrain

By Mary Frings in Bahrain

KOBE STEEL of Japan has won a \$200m contract to build a 40,000-tonnes-a-year hot and cold aluminium rolling mill in Bahrain. Its major competitor for the project was Dava McKee of Britain, although IHI of Japan was also short-listed from among the 10 contractors which submitted bids last December.

A letter of intent was signed at a televised ceremony in Bahrain this week by representatives of the joint-venture Gulf Aluminium Rolling Mill Company (Garmco), whose shareholders are Bahrain, Saudi Arabia, Kuwait, Iraq, Qatar and Oman.

According to market studies carried out by the Doha-based Gulf Organisation for Industrial Consulting (GOIC), it could meet 40-50 per cent of regional demands for aluminium building sheet, foil stock and general coil and flat products, and encourage the manufacture in the Gulf of truck bodies, soft drink cans, kitchen utensils and other consumer goods which are currently imported.

Japan's shipyards suffer 48% drop in new orders

BY ANDREW FISHER, SHIPPING CORRESPONDENT

JAPAN, the world's leading shipbuilding country, suffered a 48 per cent drop in new orders to 4.35m gross tons in the 1982-83 fiscal year to March 31 as a result of the worldwide shipping slump.

The Ministry of Transport in Tokyo said that the order backlog at the end of March was down from 444 ships totalling 11.32m tons the year before to 371 ships totalling 8.57m tons.

Heavy ordering by Sanko Steamship, a leading Japanese shipping company, and by Greek owners has given Japan's ship-

building industry a lift in recent weeks and prices have started to move up again.

The bulk of Japan's shipbuilding business is for export, and newly ordered tonnage in 1982-1983 for foreign owners fell from 5.52m tons to 2.84m.

Domestic orders collapsed from 3.08m to 1.71m tons.

● Ishikawajima-Harima Heavy Industries of Japan said it has secured or is negotiating for orders to build 14 handy type and economic combination carriers for several Greek firms, Reuters reports from Tokyo.

Phosphates bids invited

BY FRANCIS GHILES

MOROCCO's state phosphate company, Office Cherifien des Phosphates (OCP), is expected to send out tender documents for a major fertiliser complex, Maroc Phosphate 3 and 4, later this month. Companies will be short-listed by the end of the summer and contracts should be

awarded before the year is out. Two separate contracts will be awarded: the first will include two 100,000 ton per year superphosphoric acid lines; the second, one unit each to produce diammonium phosphate, triple superphosphate and ammonium sulphate and ammonium phosphate.

BAe sells three Jetstreams to U.S. airline

By Michael Donnan, Aerospace Correspondent

BRITISH AEROSPACE has won a \$5m contract for three of its Jetstream 31 twin-engine turbo-prop light transport aircraft from Atlantic Airlines of Florence, South Carolina. The U.S. airline has taken an option on a fourth Jetstream.

The deal brings firm sales of the BAe Jetstream 31 to ten aircraft, with reservations on the production line from other customers for a further 12 aircraft.

● Boeing of the U.S. has won a contract from Southwest Airlines of Texas for three Boeing 737-300 twin-jet airliners, worth over \$30m including spares. This brings Southwest's fleet of 737s to 55 aircraft.

● International Lease Finance Corporation of Los Angeles is buying five McDonnell Douglas DC-9-51 jets—three from Swissair and two from Austrian Airlines, for \$55m. The company has an option to buy another 12 DC-9-51 jets from the two airlines.

U.S. seeks to ban robot sales to Soviet bloc

By David Buchan, East Europe Correspondent

THE U.S. is proposing that advanced industrial robot technology be put on the list of items whose sale to the Soviet bloc is restricted by the Paris-based Co-ordinating Committee (CoCom), according to reports from Japanese industry in Tokyo.

Japan is a world leader in industrial robots, and the U.S. is believed particularly to want to curb the transfer of technical information on high-performance robots and their control devices to the Soviet Union.

The Reagan Administration has suggested that CoCom, which groups Nato countries and Japan, should proscribe certain "militarily critical" technologies for sale to the Soviet bloc, rather than issuing lists of individual restricted products.

The Soviet Union has made extensive use of robots in its industry, from 3,000 last year to a target of 100,000 by 1986, a major priority in its current five-year plan, and it signed a specialisation agreement in industrial robotics with its Comecon partner in June 1982.

Nevertheless, Soviet Press accounts show that the Soviet industry is having problems in introducing this form of automation.

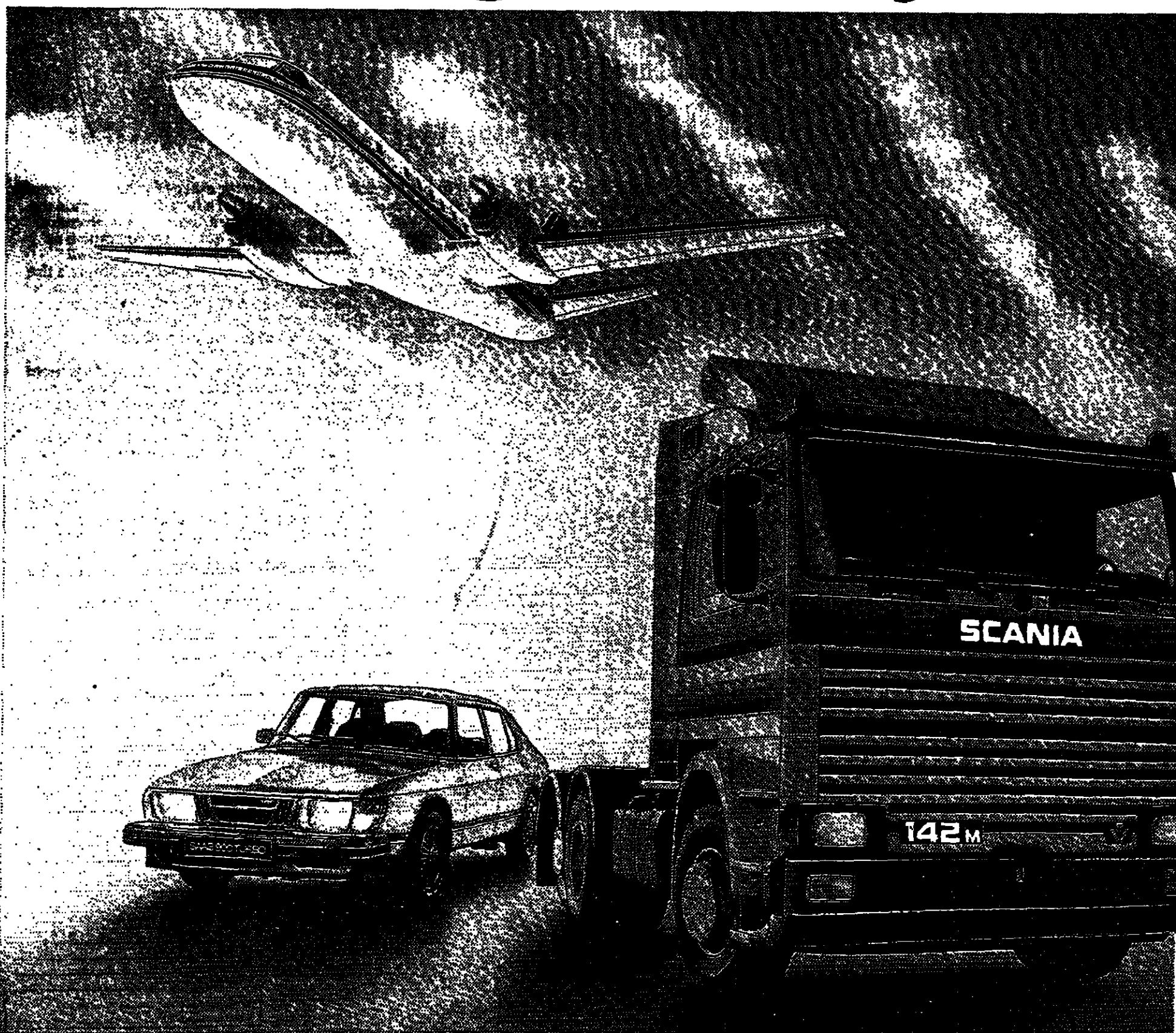
K. K. Sharma in New Delhi writes: Russia yesterday agreed to give cheap credits worth Rs 1.4bn (£100m) to India for the second stage of the steel plant now being built at Vishakhapatnam, Andhra state, with Soviet help.

The credit is intended to be used to import Soviet capital equipment for the steel plant and is nearly half the amount that offered by Russia in official talks held earlier this year.

This suggests that India has taken note of strong criticism by Indian engineering companies of the Russian capital equipment being imported for the first stage of the plant. The companies have maintained they are capable of supplying the equipment ordered from Russia.

The agreement on the credit was signed by the visiting Soviet first deputy Prime Minister, Mr I. V. Arkhipov, and India's Finance Minister, Mr Pranab Mukherjee, as part of efforts to increase imports from Russia to offset a large trade surplus in favour of India.

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U.S. seeks
to ban rob
sales to
Soviet bloc

David E. Butler
Los Angeles Times

The world is
a very different
place today than
it was a few years
ago. The Soviet
Union is now a
superpower, and
the United States
is no longer the
sole superpower.
The world is a
more complex
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before.

There are many
reasons for this.
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ITT

UK NEWS

Alliance draws up plans for a 'fresh start for Britain'

BY PETER RIDDELL, POLITICAL EDITOR

A PROGRAMME of moderate refutation, incomes policy and constitutional reform was outlined yesterday by the Social Democratic party Liberal Alliance as a 'fresh start for Britain'.

The 34-page manifesto, entitled a Joint Programme For Government, came out as fresh evidence appeared of a huge Conservative lead in the opinion polls.

Conservatives have a lead of 21 per cent according to a Lou Harris poll for Thames Television. The poll conducted in the last two days, gives the Tories 52 per cent, Labour 31 per cent and the Alliance 17 per cent. This follows a Gallup survey over the weekend which gave the Tories a 17% per cent lead.

The Alliance manifesto was launched yesterday at a lacklustre

THE ALLIANCE manifesto proposes:

- Public investment, tax cuts and work schemes to cut unemployment by 1m over two years, raising public sector borrowing to £11bn
- An agreed pay and prices policy with, if necessary, a stop-gap statutory incomes policy.
- Cancellation of Trident and Polaris to be included in Geneva arms talks.
- Full UK membership of European Monetary System; expansion of EEC regional and social activities.

press conference with neither of the two party leaders present. The main theme was that the Alliance offers a way out of the class-based policies and hunches of policy. The manifesto is presented as a radical

programme rivaling the Liberal Government of 1906 and the Attlee Administration of 1945.

The programme was apparently agreed with few problems by the party leaders. This is because So-

cial Democrats and Liberals are broadly agreed on the need for moderate refutation, incomes policy, constitutional reform, industrial partnership and support for the EEC.

- No new nuclear power stations at present.
- Phasing out of married man's tax allowance to finance more help for children, pensioners, unemployed and disabled as first step to integration of taxes and benefits.
- Tax relief on mortgages for house purchase eventually to be related to individual incomes. Meanwhile, relief at basic tax rate only.
- Proportional representation based on multi-member constituencies; single transferable vote for elections to Parliament.

The most delicate issues were defence and nuclear energy the manifesto includes some careful wording to minimise differences. On defence, it highlights the agreed policy of multilateral disarmament. It suggests that Polaris should be included in new disarmament talks at Geneva, while not mentioning the Liberal plan phase it out. Similarly, the document suggests that a decision on whether or not to oppose the deployment of cruise missiles in Britain (as argued by the Liberals) should be left until there is a clearer indication of the negotiation position of the Soviet Union and the U.S., and depending on whether arrangements for a double safety catch system had been agreed. This postpones difference since the Liberals are strongly op-

posed to the deployment of cruise. The Alliance says it is unashamedly internationalists. "We cannot live in a bunker. We are for a British lead in Europe, for multilateral disarmament and for a new drive to increase our own prosperity by cooperating with others to reduce poverty and squalor throughout the world. We offer reconciliation at home and constructive leadership abroad. We are not ashamed to set our sights high."

It says an Alliance government would make Britain a full member of the European Monetary System in order to iron out wild fluctuations in the exchange rate. Further, it says it is wholly committed to continuing Britain's membership of the European Community.

Editorial comment, Page 16

Labour attacked by Heseltine over defence

BY MARK MEREDITH AND OUR POLITICAL STAFF

MR Michael Heseltine, the Defence Secretary, charged yesterday that Labour's defence policies presented the British public with their most dangerous ever gamble.

Mr Heseltine was speaking at the Scottish Conservative Party conference in Perth, which has taken on the look of a campaign launching pad for the June 9 election. Mrs Margaret Thatcher, the Prime Minister, is due to address a rally at the conference this evening.

The Defence Secretary assailed Mr Michael Foot, the Labour leader, for his decision to write to the Soviet leadership on the subject of defence.

"It stretches my credulity to near breaking point to be asked to rely on Michael Foot for the defence of this nation," he said. "To expect me to trust the conquerors of Afghanistan in a bid to secure election of today's Labour Party is to insult the good sense of the British people."

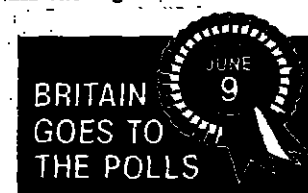
The present Labour leadership was in stark contrast to the moderate and sensible defence policies of post-war Labour governments, he said.

"Year after year we have watched the hard left grasp power at Labour conferences. They now seek power in this general election," he said. "What clearly emerges is that current Labour policy is set up to the most dangerous gamble the British people have ever been invited to take."

Mr Heseltine attacked the "high

profile media tactics" of nuclear disarmers and later said he refused to give these groups the publicity they sought by agreeing to debate openly with them.

In the House of Commons yesterday Mrs Thatcher indicated that inflation might resume an upward course later this year at a slower pace than was forecast in the March Budget.



Replying to questions for the last time before the general election, she highlighted the strength of Britain's "absolutely superb" export performance. She refused to be drawn into predicting when unemployment was likely to fall.

Mrs Thatcher said she believed inflation forecasts were being marked down. "That is to say prices are not going up as rapidly as was thought when Sir Geoffrey Howe, the Chancellor of the Exchequer, gave his budget forecast."

Pressed by Labour MPs to reveal the Government's latest estimate of inflation at the end of the year, the Prime Minister answered: "If you wait for a few more months you will be able to see."

Scargill bubbles with socialist enthusiasm

BY JOHN LLOYD, LABOUR EDITOR

"What will you do if the Tories win, Arthur?"

"My attitude would be the same as that of the working class in Germany when the Nazis came in. Just because they've won it doesn't mean you accept it. We would oppose them."

Thus Mr Arthur Scargill, president of the National Union of Mineworkers, Labour's most wily negotiable star, at the start of the election campaign - brighter and smarter than ever after his executive's first meeting in the NUM's new Sheffield base.

From the capital of the socialist republic of South Yorkshire, miners take on a different perspective from, say, the morning's Gallup opinion poll showing Labour dragging 17.5 per cent behind the Tories.

"I am confident," Mr Scargill said, "that people have had enough of this woman - enough of unemployment - enough of the Common Market. We will do everything in our power to make sure not only that Labour is re-elected, but is re-elected by a substantial majority."

This heady stuff excited the BBC, who asked Arthur how he felt looking out of the windows over Sheffield's steel mills instead of London, where the NUM was based before.

Mr Scargill switched from militant prose to militant poetry with disconcerting speed. "I can see the dales of Derbyshire and the moors of Yorkshire," he said, while the cameras whirled, "and a marvellous vista of Britain's industrial heritage."

He noted that the union's executive had approved £125,000 to the Labour Party's campaign fund and a further £1,000 each to the NUM's 15 sponsored candidates.

The NUM had earlier paid £100,000 to the fund, on top of £150,000 in early affiliation fees. Yesterday's contribution, keeping their campaign total to a relatively high £240,000 - together with the priceless boost of Arthur on the hustings.

"I shall be speaking at Bradford... Sheffield... Coventry... wherever the party determines."

He disclosed he had been asked by a constituency party to become its MP (no names) but had declined: "I am totally dedicated to the National Union of Mineworkers and shall not be deflected from that."

The NUM had earlier paid £100,000 to the fund, on top of £150,000 in early affiliation fees. Yesterday's contribution, keeping their campaign total to a relatively high £240,000 - together with the priceless boost of Arthur on the hustings.

The move to limit the rates of some councils is more controversial. It is certain to provoke an outcry over its constitutional implications.

with a mandatory instruction to do so.

The committee also proposes that the Greater London Council and the six English metropolitan counties will, as expected, be abolished, and an urgent report on the division of services among districts is being prepared. The Inner London Education Authority will be retained.

Mrs Margaret Thatcher, the Prime Minister, had favoured a sales tax to supplement or even replace the rates. But this has been dropped as it could not be introduced soon enough and could be against EEC rules.

A Cabinet committee, which she chaired, has now decided to take powers to allow the Government to dictate a rate level to any local authority and to replace the discretion to de-rate empty industrial property

efficiency and effectiveness of central government by the Comptroller and Auditor-General.

It also establishes an independent National Audit Office to take over from the Exchequer and Audit Department, and to come under a commission of MPs and the Leader of the Commons.

The Bill was substantially modified during a controversial committee stage, when proposals to extend the Comptroller's remit to include nationalised industries were dropped because MPs failed to agree on the form of changes.

The outcome is a personal coup for Mr St John Stevas, who, when Leader of the Commons, brought in many parliamentary procedural reforms.

Audit Bill approved

BY OUR PARLIAMENTARY STAFF

A BILL to reorganise public sector audit and place it under clear parliamentary control unexpectedly became law before the dissolution of Parliament.

Its passage is seen by MPs as an important extension of parliamentary scrutiny over government.

The Bill, sponsored by Mr Norman St John Stevas, Conservative MP, looked likely to become one of the many victims of the election. But, after behind-the-scenes lobbying by Mr Stevas, it passed through its remaining stages in the House of Commons late on Wednesday night. It went through the House of Lords yesterday.

The new Act contains important changes to provide statutory backing for inquiries into the economy,

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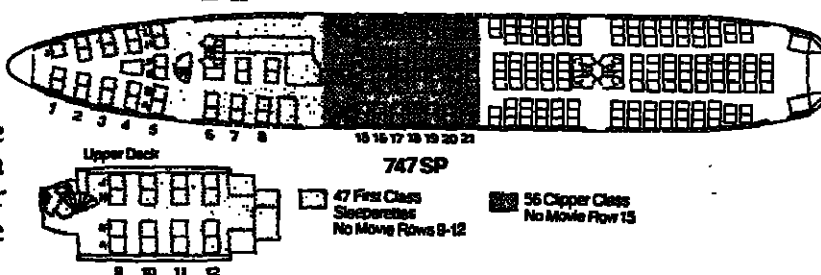
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UK NEWS

Thatcher attacks proposed pay rise for MPs

BY BRIAN GROOM, LABOUR STAFF

LORD PLOWDEN's Review Body on Top Salaries yesterday recommended pay rises of between 28 and 47 per cent for Cabinet Ministers, 30 per cent for MPs, and an average of about 12 per cent for top civil servants, judges and senior officers in the armed forces.

Decisions on these highly sensitive recommendations will not be made until after the general election. However, Mrs Margaret Thatcher, Prime Minister, told the House of Commons yesterday: "So far as the proposed salaries for Cabinet Ministers are concerned, members of the Cabinet take the view that the increases proposed are of a magnitude which they could not possibly accept, and trust that Members of Parliament will take a similar view about recommendations affecting their own salaries."

This statement may fend off possible public hostility to the proposed increases during the general election campaign, but it runs counter to the urgings of the review body, and is likely to leave some MPs unhappy.

The Prime Minister gave no indication of the Government's response to the recommendations for civil servants, judges and officers. These are made in a separate report. They comprise a shortfall of nearly 5 per cent on last year's recommendations, plus new average increases of 6.9 per cent.

The report on MPs and ministers acknowledges that the proposals will be criticised, but urges the Government and Parliament not to be deterred from implementing them. "To fail to do so, far from serving the national interest can, in the longer-term, only damage it by placing at risk the continuing quality and standing of those charged with the vital business of government and legislation by producing yet further catching-up problems such as those which have confronted us in this review," it says.

Under the recommendations, the Prime Minister's pay would rise to £65,000 a year from £48,860, Cabinet Ministers £55,000 (£37,000), and Lord Chancellor £52,000 (£32,500). MPs' pay would rise to £19,000 (£14,510), and that of the Leader of the Opposition to £30,000 (£23,035).

The report on civil servants, judges and officers also argues that "to award salaries less than these would fail to do justice to those carrying the onerous responsibilities of the most senior positions in the Civil Service, the armed forces, and the judiciary."

High Court judges' pay would go up to £48,000 (£42,500), circuit judges £31,000 (£27,750), and the Lord Chief Justice £80,000 (£52,500). The Government has accepted a recommendation to increase armed services pay by an average of 7.2 per cent. It will increase the total services pay bill by £184.8m.

Fresh bid to settle air 'conspiracy' dispute

By Michael Donne

FURTHER TALKS between UK and U.S. civil aviation officials will be held in London on May 23 and 24, in an attempt to settle the still-smoldering row over the U.S. Justice Department's plan to take anti-trust action against British Airways and British Caledonian Airways.

The Justice Department believes that those two airlines, along with others, both U.S. and foreign, conspired to drive Laker Airways off the North Atlantic air route early last year, by agreeing on cheap fares, in contravention of the U.S. anti-trust laws.

The UK airlines, and the Department of Trade, have rejected the allegations, and have further argued that North Atlantic civil aviation matters are covered by the Anglo-U.S. Bermuda Two civil air agreement and are not within the Justice Department's jurisdiction. This view is equally firmly rejected by the Justice Department, however, which claims it is a matter of U.S. internal concern, and therefore a proper subject for an anti-trust investigation.

U.S. company plans to invest £10m in computer operation

BY RAYMOND SNODDY

A U.S. computer company is to invest £10m in a new research and development and manufacturing plant in Hemel Hempstead, Hertfordshire, which will create 500 new jobs over the next 12 months.

The Computer Machine Company (CMC) which employs nearly 1,000 people in the UK is ultimately owned by McDonnell Douglas, the U.S. aerospace group. CMC, which plans to change its name to Microdata, in line with its immediate U.S. parent Microdata, of California, also announced yesterday that its 1982 sales had risen by 55 per cent to nearly £35m. In the same period profits rose from £1.8m to £5.4m.

This compares with a small loss for Microdata's U.S. operation on sales of \$78m, although this was largely the result of a change from OEM (Own Equipment Manufacturer) to end-user selling. Microdata specialises in mini and supermini database and distributed processing systems.

Exports of British-built minicomputers from Hemel Hempstead rose by 80 per cent last year to top £5m,

including £1.2m worth of exports to the U.S.

The company also said it was within 12 months of marketing "artificial intelligence" software which would enable anyone to use even the most advanced computers in "conversations" language.

Mr Irvin Ella, Microdata's senior vice-president for research and development who is based in Hertfordshire, said yesterday that the software was running on machines at Hemel Hempstead.

More than £5m had been invested in developing the software in the UK and California. The system called Supernatural uses pattern recognition techniques to help the user find the information they want without special code words or computer programming.

The Hemel Hempstead company said yesterday that subsidiaries have started trading in Germany and Switzerland within the past 12 months, and that eight more were being set up in Europe.

Most of the products for the new European outlets would be manufactured in Britain.

Linfood cleared for new Fitch offer

BY RAY MAUGHAN

LINFOOD was yesterday given clearance by the Monopolies and Mergers Commission to make a new offer for Fitch Lovell, the supermarket, food wholesaling and manufacturing group.

The commission's findings yesterday were accepted by Lord Cockfield, Trade Secretary, who also supported the advice of the Office of Fair Trading (OFT) that the £34.8m offer by Safeway Food Stores, the British arm of the U.S. supermarket chain, to buy Key Markets from Fitch would not require monopolies examination.

Under the rules of the City of London takeover code, Linfood, which takes in the Gateway, Dee and Carrefour food retailing operations, must decide within three weeks whether it wants to make a new bid for Fitch.

But Linfood has already advised that it will make a "firm offer" worth £37.8m for Key Markets, and has urged Fitch's shareholders to vote against the original agreement with Safeway at an extraordinary meeting on May 20.

Linfood has made it clear that it will not bid for Fitch if Key Markets is sold to Safeway, but has otherwise "left its options completely

open" ahead of the extraordinary meeting of Fitch shareholders.

Safeway already has a legal agreement to acquire Key Markets subject only to the consent of Fitch shareholders. However, a spokesman for Samuel Montagu, the merchant bank advising Safeway, acknowledged that the contract is not binding on shareholders and felt that "price will be the principal determinant."

The U.S. group is now considering its position and, given the scarcity of value of established retail chains in an increasingly concentrated market, will examine the feasibility of matching Linfood's terms.

The OFT has not formally cleared Linfood's offer for Key Markets, but the commission has already indicated that, in view of the need to maintain competition against Tesco, Sainsbury and Asda, the dominant supermarket groups, there may be some advantage in Key Markets being acquired by Linfood.

The monopolies report, however, was submitted before either Linfood or Safeway had made offers for Fitch's chief retail operations.

Lex, Page 18



Mr Kenneth Baker

Early start for cable TV pledge

CABLE broadcasting will go ahead as soon as possible after the general election if the Conservatives win, according to Mr Kenneth Baker, the Minister for Information Technology.

Mr Baker said that during the election the Government could not issue the 10 to 12 interim licences, covering 100,000 homes, as announced at the end of last month.

He said: "after we have won the election we intend, with Parliament's approval, to issue these licences as soon as possible, and ease the controls on existing cable operators. In this way the momentum for the cabling of Britain will be maintained."

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COMMUNICATIONS IN BUSINESS AND SOCIETY

Britain's Austin Motor Company could hardly have realised what it was starting when it signed a technical assistance in 1952 to help the struggling Nissan Motor Company back on its feet. When Nissan decided it could go it alone seven years later, the seeds had been planted for an expansion that today sees Nissan in the vanguard of a powerful Japanese motor industry, undisputed world leader in terms of vehicle output. Now, the world comes to Japan for technical assistance. But with signs that the best years may be over for the automobile, Nissan is now looking to further strengthen its non-automotive business, which currently involves such diverse fields as the production of space rockets for launching satellites, textile machinery, marine engines and watercraft. Throughout the postwar growth period, a key role has been played by Katsuji Kawamata, a former banker, first as president and now as chairman.

NISSAN: The Human Element, Main Driving Force

By Geoffrey Murray

Murray: Nissan this year is celebrating its 50th anniversary. You have been with the company for 36 of those years, witnessing tremendous growth. In seeking the secrets of this success, many people have cited the close cooperative relations between management and labour. How important is this factor?

Kawamata: Undoubtedly, the driving force behind the postwar economic successes has been, first, the high level of worker education, and, second, the close identity of interests between the management and the workers. There is a constant dialogue because both parties are in the same boat, not trying to shoot at each other from opposite banks of the river. Underlying that relationship, however, is an important Japanese concept of work. Looking at other industrialized countries, I see a high level of welfare — people enjoying higher fringe benefits and a higher standard of living — that is matched with a declining will to work. You can say that my basic business philosophy is: if you have the will to work, I don't think any business can easily get into difficulties. In the West, however, labour long seems to have been considered a hardship that is best avoided. I know many people regard Japanese as workaholics. But I believe that since Japanese consider labour is inevitable they have endeavoured to find the value of life in work. Against this background, facilities, environment and working methods have been improved to remove the pain of labour but leave some sense of joy. Instead of trying to escape from work, the Japanese have come to grips with labour. This has been a vital factor supporting the growth of Japanese industry.

Murray: How do you actually promote good labour relations through this dialogue?

Kawamata: We don't regard an individual worker in the factor as simply a means of production. We want to see him develop his inherent capabilities to the fullest extent as a skilled worker, a human being and as a member of the team. We regard the labour union, for example, as a vital partner with management. We discuss even the most confidential topics with the union. There is a Labour/Management Consultative Council established at the top level of the company to thrash out issues such as technological innovation and raising productivity. Consultations between the two parties are held in one form or another at every level down the line.

Murray: Was this how you produced the agreement on new technology last March?

Kawamata: Right. But this only put down on paper what we had been practicing for years. There was some concern in the work force about the future implications of automation on the assembly line. We

Katsuji Kawamata
Chairman

acknowledged that there was no way the new technology could be introduced without strong worker cooperation. We have to automate to stay competitive. But, equally, we have a responsibility to our workers: giving them clear assurances that their jobs are secure and that they will not suffer in any way from the introduction of robots.

Participatory Management

Murray: This is all part of what people often call the "Japanese style of management". You have now established manufacturing ventures in several countries — Australia, Mexico, Spain, the United States etc. — and I wonder how much of your management style can be exported?

Kawamata: Basically, I feel our overseas operations should be a mixture of Japanese and local management techniques. We have to operate in the local economy, our work force and virtually all the management will be locally hired, and we want it to be regarded as a local community enterprise. I think one of the things we would certainly like to see introduced is the concept of participatory management that I have already discussed. We want everyone of our workers, regardless of nationality, to participate in the process of management to create a better, more vital company. This is certainly the case with our latest venture, building trucks in the American state of Tennessee. The company's American president was keen on the idea and sent some 400 of his workers to Japan for several months of training so they could better understand the concept and put it into practice. Some of those people, for example, are even working overtime without pay...not that that is our aim, I hasten to add. They have also quickly become active in developing the quality control circle concept as well.

Murray: I know that in your Japanese plants you encourage each worker to develop a sense of responsibility to the extent of telling them to halt the entire assembly line if they spot a defect in any vehicle. Do you plan to adopt that concept in your overseas plants?

Kawamata: Certainly. Once we have raised the technical level of the work force to ensure stable production we certainly want to introduce that practice.

Murray: You certainly aren't a "Johnny come lately" in the international arena, having started in Mexico as long ago as 1966. What is the basic philosophy behind this strong move overseas and where do you think it will lead you in the future?

Kawamata: I don't think we can be compared on the same scale with, say, General Motors and Ford. But we are trying to expand steadily. We certainly are not merely responding to protectionist pressures in certain countries to shut out or limit Japanese car imports, for example. Long before trade friction became a major issue, Nissan had a strong awareness of its responsibility to contribute to the economic growth of the world at large through operations in other countries. Of course, there is some self-interest in this: if we can raise the economic level of countries in the developing world, for example, we can perhaps create a new market for our vehicles...especially now the market in advanced countries has become saturated. But I don't think the Japanese motor industry is yet capable of shouldering the whole responsibility. Therefore, I also think stronger collaboration with other leading car manufacturers is necessary. Nissan, for example, now has important tie-ups with two major European companies, Alfa Romeo and Volkswagen.

Interaction between People

Murray: Do you regard yourself as not just an industrial but also a cultural bridge with other countries?

Kawamata: That point was brought home to me very acutely earlier this year when we had a farewell party for some 400 American trainees before they left at the end of the three or four month training programme. I had always believed that in the West it is a sign of weakness for a man to cry in public, although it may be permissible in Japan. Yet, many of the trainees were crying at this party and so I asked one directly for the reason. During their stay here, they had become totally involved in Japanese life, both inside and outside the factory, he told me. He had been deeply impressed by the

interaction between people...it's not so much the work itself as the intimate human relations that exist within a Japanese company. Because this young American had both seen and felt this deeply he was eager to go home and introduce the same system.

Murray: It seems to me that many if not all Japanese companies take their role in society very seriously. Disregarding for a moment your efforts to make better products, I wonder whether we would discuss other aspects of this "responsibility".

Kawamata: As far as Britain is concerned, I think one major contribution was the endowment of a Nissan Institute for Japanese Studies at Oxford University, to which we contributed 7 million pounds. This is our biggest single investment of this nature to date, although we have contributed funds to a number of American universities for their Japanese studies. We have also made major contributions to the Youth for Understanding programme based in the United States, including money for construction of a headquarters and for maintenance of the programme, which involved international high school student exchanges.

Murray: Why do you do this?

Kawamata: I believe we have come to the stage where we have to demonstrate a strong sense of social responsibility. We are working in an international environment now. We are selling in the world market and obtaining profits. So, we have an obligation to return a certain portion of this money to promote stability and understanding. Nissan can only function in a friendly international situation. We are not working in a vacuum, so we have got to create a good environment.

Building a Good Image

Murray: Nissan recently announced development of a car for the handicapped that seems to fit into this overall concept of social responsibility.

Kawamata: Yes, that's probably right. Certainly, from a business point of view it will be a loss-making project. My only regret is that we did not start working on such programmes much sooner.

Murray: All these activities would seem to fall under the overall heading of "image building". As the business environment becomes tougher, is an image going to become an even more vital consideration for you?

Kawamata: Yes, I think image is often the decisive factor when a prospective customer is making his final choice, and I think this is especially true for a high-priced item like the motor car. This year and next we are embarking on a major image promotion programme under the title "Nissan Corporate Identification Design System". One important aspect of this is to unify the brand name, which has been divided up to now between Nissan and Datsun. I don't think there is any need now to discuss the reasons why we had the Datsun brand name for so long. All we need to say is that from now on everything will be under the name of Nissan. So, we want people to get used to the idea that Nissan and Datsun vehicles are exactly the same. In more general terms, however, I would like to stress that image cannot be built up and projected by the product alone. It goes far beyond technological innovation, quality and performance. It must also include the company's own corporate philosophy, the contribution it makes to society, the behaviour of its management and the attitude of its workers. That is why, throughout our conversation, I have tried to stress the human element so strongly.



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UK NEWS

Case against Danish businessman must continue, court rules

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT
 EXTRADITION proceedings against a Danish businessman, Mr Jan Bonde Nielsen, who faces a fraud charge in Denmark, must continue, the High Court ruled in London yesterday.

Lord Justice Robert Goff said that Mr Nielsen was accused, under section 280 of the Danish Criminal Code, of having fraudulently abused his position as controlling shareholder of a company called Gredana to rescue another company he controlled - Egitofte Industri - from financial difficulties.

On the application of the Danish Government, the court quashed a decision of the Chief Metropolitan Magistrate at Bow Street, London, last September to discharge Mr Bonde Nielsen, the former managing director and controlling shareholder of the Burmeister and Wain

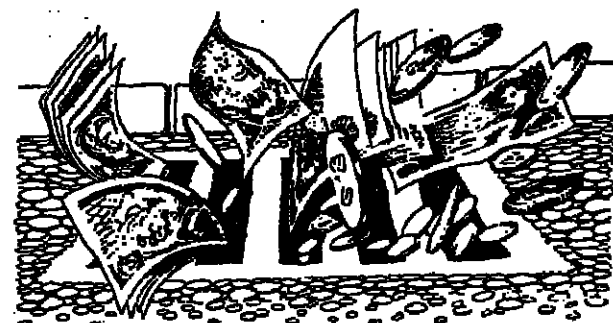
Plea for independent satellite TV group

BY RAYMOND SNOODY

A CONSORTIUM of existing independent companies should be allowed to run an independent satellite broadcasting service, the Independent Broadcasting Authority (IBA) has said. This would ensure the franchise holders did not face IBA-generated competition from space during the life of their contracts.

The IBA made clear, in proposals to the Home Office, that while it awaits the necessary legislative changes, it would enter into negotiations for a satellite channel to be provided.

It has earmarked funds for a launch slot to be made available as soon as possible after the changes.



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Beefing-up campaign by Burger King

By William Dawkins

BURGER KING, the world's second largest restaurant chain and creator of the celebrated "whopper" hamburger, announced plans yesterday for a major onslaught on its loss-making European operations.

The group, which has nine restaurants in the UK, against the 100 run by its chief rival, McDonald's, aims to open another 50 to 60 during the next three or four years.

It intends to expand its total European operation from 60 restaurants to 300 or 400 during the same period. The main focus will be on the UK and West Germany, which accounted for the bulk of losses of around \$10m on a turnover of \$60m to \$85m by Burger King's international division in its last financial year.

Mr Jeffrey Campbell, formerly president of Burger King U.S., has been appointed president of the group's worldwide operations. In control of its 3,000 restaurants, the post was principally created to co-ordinate the European campaign, which will involve \$16m development costs in the first year alone, a \$2m marketing drive and a change of headquarters from Zurich to London.

Mr Campbell attributed the losses to lack of strategy, high administrative overheads and the fact that the technical expertise of the U.S. side had not been used adequately in Europe.

The volumes here are as high as in the U.S. - if not higher - but we have not been able to convert that into income," he said.

He predicted that Europe would return to profit in the current year. Sales at Burger King, a wholly owned subsidiary of Pillsbury, the U.S. food group, have increased at an average of 20 per cent annually since 1967, with by far the bulk of that growth concentrated in the U.S., where it has recently been waging a fierce advertising war - known as the Battle of the Burgers - against McDonald's.

Mr Campbell said: "The reason that McDonald's has succeeded here is that they have evolved the same kind of strategy as in the U.S., while we have not."

To introduce greater cohesion between Burger King's transatlantic activities, its three divisions will be merged into one, and the U.S. management team will expand its duties to cover Europe and other international operations.

Mr Jerry Rosenheck, Burger King Corporation president, said: "In the past, there was a false wall between the U.S. and Europe. Now we have broken that wall down. We will position Burger King as the quality fast-food restaurant in Europe as we have in the U.S."

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"For a start, you've over nine million readers." (9.2 million, we prompted.)

"You've 12 regional editions which meant we could run lists of local dealers' names."

"Then there's the fact that, as you publish on Thursdays, you're home nine days."

"This was important. Organs are a considered purchase, not a petty-cash item. We wanted our ads to be read and re-read."

"We started off with black-and-white half-page ads in your London and South editions."

"The response was good, very good."

"So much so we took a whole-page colour in 1980. And again the response was good."

For further information, contact Head of Advertisement Department, BBC Publications, 35 Marylebone High Street, London W1M 4AA. Telephone: 01-580 3577.

Source: NIS (NICARS) July-December 1982.

We put both in Radio Times.

Stephen Wilson, Technics Organ Division Manager.

"In 1981 we took two colour pages, plus half-pages in black-and-white to list our dealers."

"The response was terrific."

"Then came 1982. And we found ourselves with our new memory-pack keyboard."

"This product, as the man who invented the wheel said, was revolutionary."

"We took a three-page colour ad in Radio Times in November."

"From then on every day was Christmas."

"In fact the result turned into a bit of a pain."

"We were cleaned out of our winter stock and most of our spring allocation."

"There we stood, thanks to Radio Times, in the middle of a world recession, with our organs going boom, boom, boom."

RadioTimes

air and sea communications. Full development area grants and incentives. A willing and skilled workforce. And help from the CDC in co-operation with the Borough of Torfaen - including a unique employment subsidy for small firms.

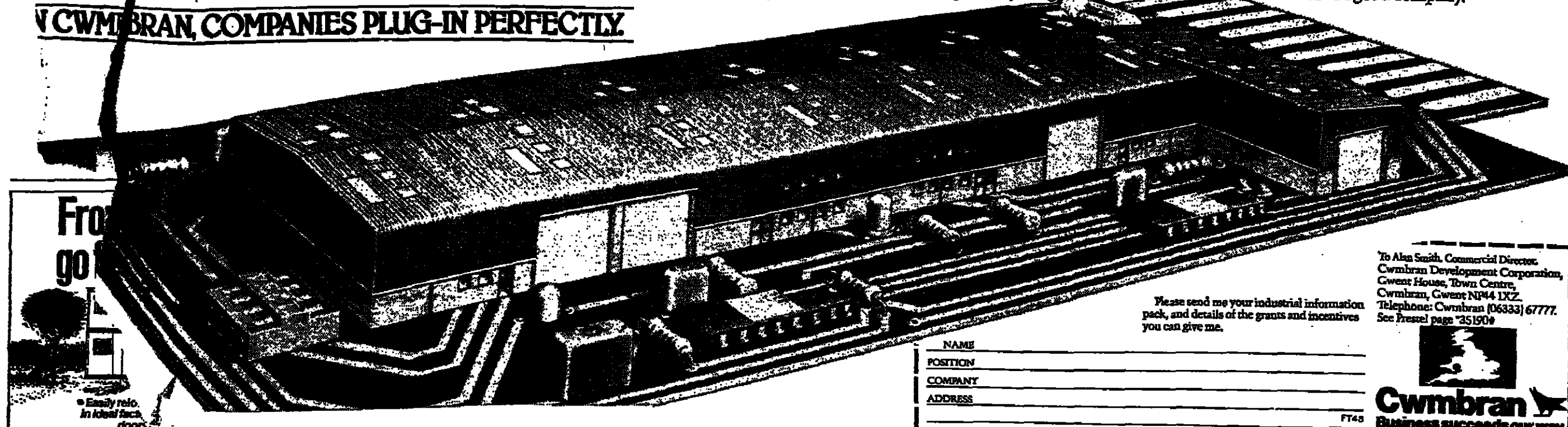
Llantarnam Park. It's got everything

you need to ensure your success. Many high-tech firms are already in the area. Like Ferranti, Immos, Mitel and Data-Type Terminals.

If you'd like to see how your company could plug in to Cwmbran, just clip the coupon.

You'll be in good company.

CWMBRAN, COMPANIES PLUG-IN PERFECTLY.



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 See Press! page 351908

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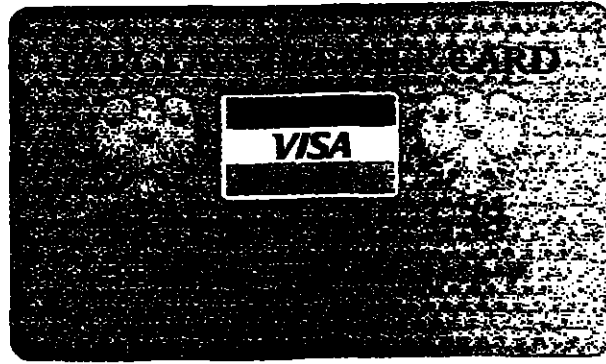
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Over 180,000 places where you can use it in the UK.



An automatic unsecured overdraft of at least £7,500.



A preferential overdraft interest rate.



The only card with a free tax and financial planning consultation.



Recognised at more banks worldwide than any other Gold Card.



Welcomed at over 4,700 Barclays Group branches worldwide.



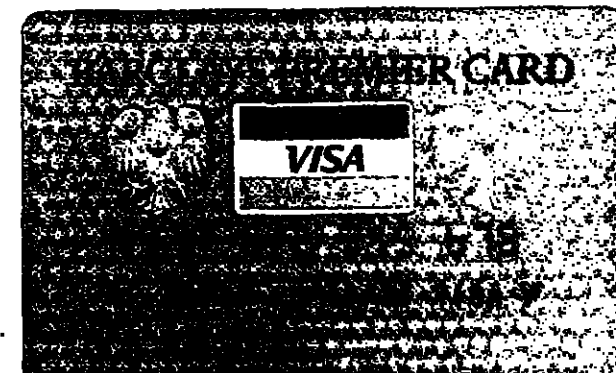
The card that's also at home in over 120,000 Visa banks.



Free emergency office facilities in over 60 countries.



Emergency telephone, telex, copier and postal services.



A 24 hour telephone service to pass messages to your Barclays branch.



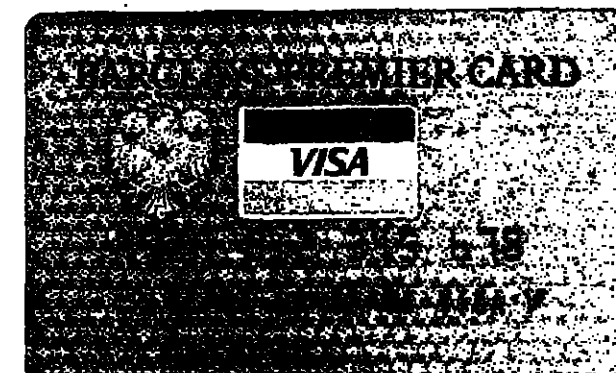
Free economic reports on countries you visit.



Special travellers cheque service for Barclays personal customers.



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The only Gold Card that is also a UK cheque guarantee card.



The card with more cash facilities than any other Gold Card.



£100 a day from over 500 round-the-clock cash dispensers.



£250 a day with a Barclays cheque at most Barclays branches worldwide.



£250 a day on your card at Visa banks throughout the world.



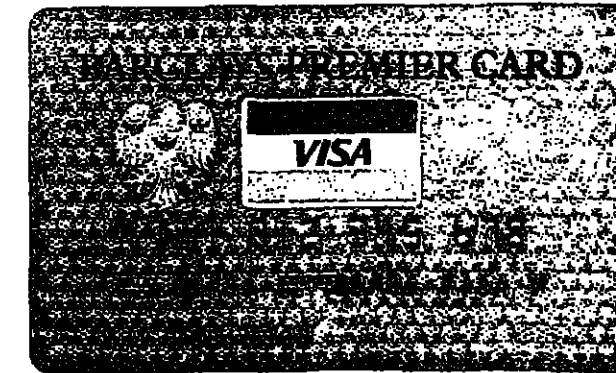
Free £150,000 travel accident insurance when you travel on the card.



Your family covered too, if their tickets are bought with your card.



The card that lets you choose the billing date.



A free safe custody facility for your valuables.



You can choose to settle your bill automatically by direct debit.



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BARCLAYS

Only the few people earning £20,000 or more will ever have one.

TECHNOLOGY

WILL THE MINISTRY OF DEFENCE GO FOR A PRIVATE VENTURE DESIGN?

Last ditch attempt to sink the frigates

BY DAVID FISHLOCK

AN ENERGETIC last-ditch attempt to overturn the government's plans to order a new fleet of frigates for the Royal Navy, reminiscent of similar late campaigns knocking telephone switching and nuclear reactor decisions in the 1970s, is reaching a climax as long lead equipment orders are placed for the new frigates.

The aim is to persuade the Ministry of Defence to abandon the Type 23 design it has developed jointly with British Shipbuilders, and replace it with a private-venture design, claimed to be simpler in concept and cheaper to build.

The primary role of the new frigate will be anti-submarine warfare in the 1990s and later. The Navy talks in terms of a fleet of at least eight, to reap the advantages in productivity of a replicated design.

It plans to go out to tender late this year and order the prototype next summer. By 1987, it hopes to have placed orders for seven or eight, worth—at nearly £100m each—the best part of £1bn at present prices.

From the outset, in 1980, an important objective of the Type 23 project has been a vessel substantially cheaper to build and to run than present-day frigates.

Its designers also hoped they could make it more attractive to overseas customers than Navy designs have been in the past. Since the mid-1970s, potential orders for 36 frigates have gone to other nations.

While the Royal Corps of Naval Architects in Bath remains responsible for the Type 23 concept and major parameters, the MoD claims it has worked more closely with its prime contractor—Yarrow Shipbuilders of Glasgow, part of British Shipbuilders—than ever before, to make the frigate more readily assembled and more attractive as an export.

The technical argument for

or against the Type 23 design turns on whether the optimum shape should be "short and fat" or "long and thin." Every warship is a compromise between apparently irreconcilable pressures on space to accommodate weapons and sensors, crew, propulsion, fuel and stores, etc.

"But it is fair to say that naval architects prefer long and thin because there are more advantages," a senior naval architect says.

Their judgment is challenged—not for the first time—by a small private ship design company. Thornycroft-Giles on the Isle of Wight, has produced a conceptual frigate based on a shorter, wider design of hull, which it claims can be built much more cheaply and would pack in more and better weapons than the Type 23.

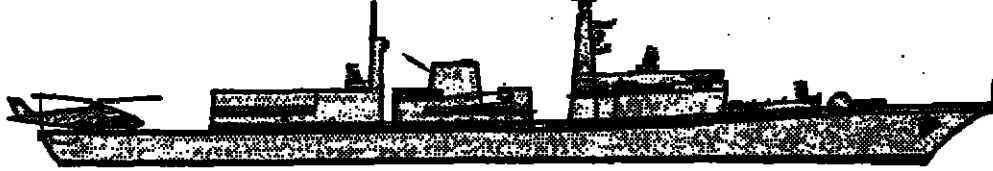
The obvious fallacy here is that the more weapons it packs, the higher the cost. It has even been suggested that the Thornycroft-Giles concept could find room for six Harriers, compared with the single big anti-submarine helicopter envisaged by Type 23's designers.

They comment drily that the hull itself accounts only for about 8.5 per cent of the cost of the vessel so "there is no way you can modify the structure and reduce the costs of the ship by 50 per cent."

But "short, fat" and "long, thin" are relative terms. The ratio of length to beam already varies widely in Navy vessels, from 8.5:1 for a traditional destroyer down to 6:1 for the new Hunt-class minesweeper. The Thornycroft-Giles S90 concept also has a ratio of about 6:1, compared with 7.75:1 for the Type 23—a much smaller difference than is being claimed.

Within this envelope, the Navy claims it has a vessel "considerably better armed than we expected." But not only cost rises rapidly if more

TYPE 23 FRIGATE



The Type 23 Frigate has a displacement of about 3,000 tonnes. Propulsion is by diesel-electric and gas turbine, and armament includes Sea Wolf anti-missile missiles (2) surface-to-surface guided weapons (8) ship-launched torpedoes, and a 76 mm gun. The time to build is three years, with the first order: mid-1984.

weapon systems are packed into a given volume. So does electromagnetic interference between the systems—a key reason why the Navy prefers "long, thin."

In its Type 23 design it has a vessel with about three-quarters of the displacement of its Type 22s, expected to cost about three-quarters as much. It will need 100 less crew, however. For example, the engineering watch will be manned by only three, compared with five per watch for the Types 21, 22 and 42 vessels, and nine for the Leander-class of the 1990s.

A more readily maintained vessel, using extensive micro-processor surveillance, is expected to have a dramatic effect on running cost.

Mr R. W. S. Easton, chairman and managing director of Yarrow Shipbuilders—and a naval architect—acknowledges that some ship designs, mainly merchant vessels, "have already reached and perhaps surpassed the levels of automation being aimed at in the Type 23."

But this is because a warship is expected to meet much more rapidly changing conditions and be capable of "continuous and rapid changes over its full power range, thus demanding dynamically stable close control and surveillance systems, a

much more challenging problem." But Mr Easton says, he foresees an "increasing ability to self-diagnose and self-correct which will reduce watchkeepers per watch even further."

Yarrow, as prime contractor and responsible for most of the design, has already placed orders for long-lead equipment such as the gas-turbines and gear boxes for the prototype vessel. It will use combined diesel-electric and gas-turbine propulsion, with twin engines of each kind. The diesel-electric system provides silent power for submarine searching at speeds up to 18 knots.

The Navy has pioneered the use of gas turbines and claims to have developed the changing of highly stressed units to a fine art—only 23 hours to change the gas generator section of the carrier Inevitable's turbines. In comparison, diesels make heavier demands on servicing.

But rising fuel prices have reawakened the Navy's interest in the diesel. Diesel propulsion is a prime feature of claims for the S90 concept along with the simpler, heavier hull structure and the smaller ratio of length to beam. The MoD has received no detailed picture of the S90, it says, although for a year it has had

what one naval architect calls "a very flimsy description" from Thornycroft-Giles.

About six weeks ago, however Mr David Giles, one of its designers, gave a presentation to the Defence Scientific Advisory Council, an influential body for independent technical advice to the MoD which reports direct to the Secretary of State for Defence.

The report of this body is highly unflattering to the S90 concept. It finds the claims for lower cost have not been substantiated and says the concept has almost nothing else to offer. It says the concept is underpowered—and to put in more diesels would invalidate the "short, fat" shape. As it is, weight and space have been seriously under-estimated, and the weapons would be too cramped.

The performance of the diesel-powered S90 when towing a sonar array—a crucial manoeuvre in submarine hunting—has not been addressed, the report says. Nor is there evidence that the concept would meet Navy standards in respect to noise, survivability when damaged, shock resistance, and exposure to nuclear, biological and chemical (NBC) attack.

East Kilbride research

Vision system for factory robots

THE NATIONAL Engineering Laboratory at East Kilbride has developed an improved vision system that could, for example, be interfaced with a robot to allow it to see in the poorly lit conditions common in manufacturing industry.

The device has been developed from NEL's Nelson 2, which had the limitation that it needed good contrast

between a component to be identified and the background. The new system depends only on local differences in grey scale values rather than an overall difference.

An initial analysis attempts to classify a component from its perimeter shape independently of its position and orientation. If parts with only small differences are

present, necessitating further analysis before an identification is certain, then other local internal features, unique to the part, are used.

These local features are identified during a teaching phase by the operator who manipulates a simple cursor over the image of each part as it appears on the TV monitor. More on 03552 20222.

MICROCOMPUTER SOFTWARE

The mouse for personal computers

BY RAYMOND SNODDY

MR BILL GATES, chairman of Microsoft, dangled his new mouse obligingly at different angles for the photographers. There have been other computer mice before but this mouse is for word processing and for IBM's personal computer.

Mr Gates, who dropped out of Harvard in 1975 when he was 19 to set up a microcomputer software company whose sales will reach \$50m in the year to June, believes that mice will inherit the world of computer pointing devices.

Many different pointing devices are available for the new generation of applications software but Microsoft says, the mouse has proved itself to be superior to digitiser pads, light pens or track balls.

The Microsoft mouse, which costs \$195, is used to move quickly or reposition a cursor. When the mouse moves across a flat surface the cursor follows it across the screen. It allows the user, Bill Gates says of hand-eye co-ordination.

The mouse comes complete with a manual tutorial program to get people using it quickly. The mouse is used to move a cursor around a piano keyboard displayed on the screen. The computer plays the notes when the cursor is on a key and the mouse button is pressed.

Microsoft says the mouse is designed for the business environment and that it will make the personal computer easy to use with the next generation of end-user software productivity tools.

The mouse comes in two versions. One is for the IBM personal computer and will be available this month. The second is for microcomputers using MS-DOS, the software application system introduced by Microsoft in 1981 which is the dominant system for 16 bit micros. It goes to dealers in June.

At the same time as it launched its mouse in London Gates introduced a new second generation writing system—Multi-Tool Word. It is the first mouse-based application program for MS-DOS—based 16 bit micros.

Microsoft says that the mouse based version allows users to insert, quickly, delete or reposition blocks of text

within a document without having to use the keyboard. It also allows the user to see text as it will be printed at all times during the writing process.

"The Microsoft Mouse and Multi-Tool Word both represent the major thrust of this company in providing enhanced productivity tools for the business environment," says Bill Gates.

The latest two Microsoft products are an expression of Bill Gates' determination to produce more and more software to

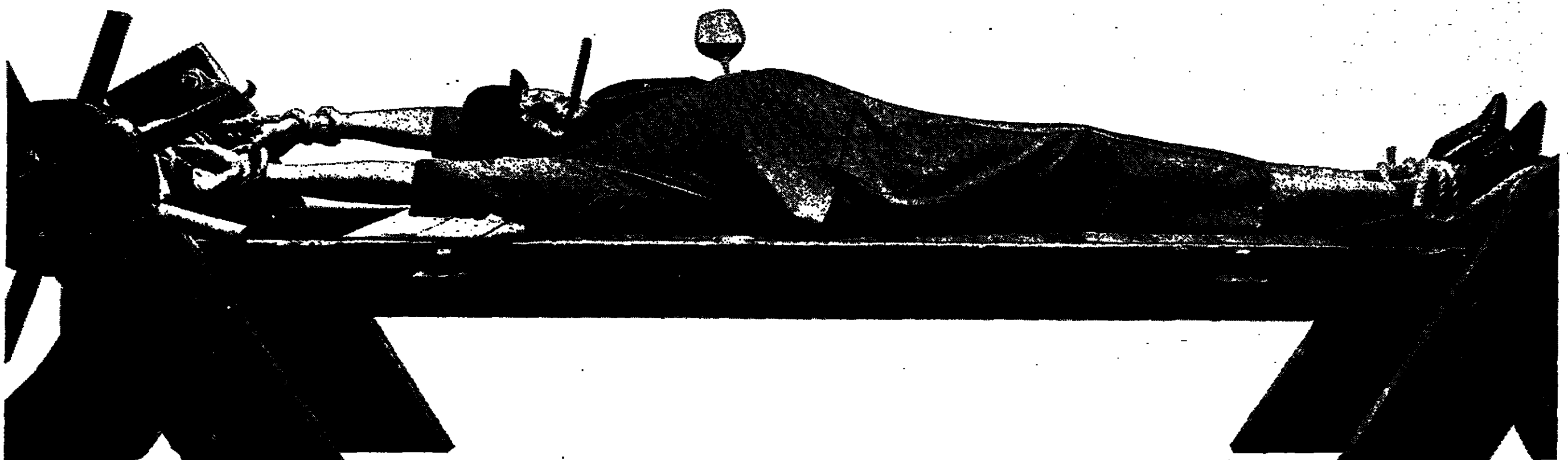
make personal computers truly accessible to the non-computer specialist.

Personal computers have to some extent been frauds in the past because they have been so difficult to use, he argues.

The challenge now, Bill Gates said in a talk in London this week, was how to harness the full power of existing hardware through improved software design rather than building better and more powerful machines.



Bill Gates: aims for \$100m software company by next year.



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LETTERS TO THE EDITOR

Pensions: portability, equity, information and accountability

From the Research Director,
Centre for Research in
Industrial Democracy and
Participation,
University of Glasgow

Sir—Your leader of May 4 correctly states that "rights in the average occupational pension scheme represent a particularly attenuated form of ownership in which the beneficiaries have remarkably little say." Would these rights be strengthened, and the beneficiaries' say increased, by the sort of individualised approach advocated in the Centre for Policy Studies report?

Our research into employee participation in the management of pension schemes has produced several conclusions relevant to these issues. Although the principle of pensions as deferred pay is now broadly accepted (and often forms the basis for substantial employee participation), there is considerable ambiguity about how far the funds are seen as actually belonging to members. For a number of reasons they generally have little influence over the funds' investment policy. This is true even in the organisations that collaborated in our research, the bulk of which are at the forefront of participative practice and have employee representatives on the trustee board. Moreover, information about investment policy and performance is very restricted—though the presence of employee trustees does have a positive impact on this and on the distribution of other types of pension information.

Within the same scheme there can be very divergent views about which categories of employee (if any) are disadvantaged by the current arrangements. Many respondents expressed concern about the early leaver problem, and doubts about whether the present occupational pension structure can handle it. But they also pointed to other categories of employee who are also wholly or partly excluded from the benefits of an occupational scheme—a highly subsidised benefit, it should be remembered, which is hardly any longer a "fringe." The rapid growth of part-time employment, for example, could mean that an increasing proportion of employees fall outside the "golden circle."

The idea that these problems of equity, information and accountability will be solved by making pensions a matter of individual option belongs to the fantasy world of perfectly informed individuals and optimally functioning markets. There is much more to be gained by further developing proper systems of collective choice and accountability.

Tom Schuller,
Adam Smith Building,
Glasgow G12

Cost penalties on job mobility

From Mr R. Wallis
Sir—Your leading article (May 4) "Freedom in pensions" dealt nicely with the arbitrary pensions penalty on job mobility in the private sector. But this is only one crucial part of a fresh look at alternative employment strategies.

Since the war and particularly in the past decade, governments have introduced measures intended to increase employment security. These measures have greatly increased employment on-costs, positively inhibited employers from increasing jobs and, during this recession added to the momentum of continuing cost reduction—particularly employment costs. Consequently, there is a great deal of severance and pension pain about and a complete rethink of pension legislation is now overdue.

Alongside these developments, however, there is a need to widen the boundaries of our present backward-looking attitudes to employment. It is no longer realistic to think of a majority of people working 40 hours a week for 40 years for one employer. Even large companies are no longer the safe refuge they used to be.

A few companies are questioning this traditional concept of permanent employment and securing the benefits of offering selected employees legitimate self-employed status to supply both full and part-time services paid for by commercial contract instead of by wage or salary.

If employment and job change on-costs were relieved, this would help to accelerate more work dispersal, job-sharing, part-time or fixed-term service contracts, privatisation or—to coin a new buzz word—legitimate fee-based "sunlighting." To get this kind of job mobility there must first be removed the cost penalties both on those who have to change job and on those companies who are seeking to become more efficient.

The benefits can be well worth securing. For the employer, he can adjust his headcount, reduce his overhead and other costs, increase productivity and secure quality with reliability. For the individual, who is self-employed and contracting his skills to several outlets, he has more variety, a wider spread of security, and greater motivation. He avoids the trauma of redundancy or unemployment. Because he has greater personal control over his activities, he is in a better position to make tailor-made provisions for his own job mobility and financial security.

Ross Coke Wallis,
P.E. Consulting Group,
Park House, Egham, Surrey.

Real money is involved

From Mr R. Ireland
Sir—I look forward to reading a leader in praise of occupational pension schemes and, perhaps, some reversal of the prevailing critical attitude of the Press towards them. In the meantime, it is misleading, if not irresponsible, to encourage early leavers and other to believe that there is a simple panacea for the resolution of their problems. As Lord Byers

said (May 9) real improvements in pension provisions carry a real price tag.

Pension fund trustees are only too aware that the funds under their control have to meet real liabilities and consequently worry when there are suggestions of a National Investment Bank and similar investment vehicles, whether in the private or public sector. It is reported that the National Investment Bank would give as good a return as other fund investments. As other returns can vary substantially, whereabouts in the league table is the benchmark to be established?

Richard Ireland,
10 Catherine Drive,
Sutton Coldfield, West Midlands.

Serious damage to wealth

From Mr C. Evans
Sir—Your leader "Freedom in pensions" (May 4) might have been better titled "Freedom in pensions can seriously damage everyone's wealth."

The superficially attractive proposal that employees be allowed to opt out of company pension schemes is, as you say, entirely a matter of freedom of choice—an examination of practicalities shows that the employee who opts out is highly unlikely to be financially better off.

Many large companies are contracted-out of the state earnings related pension but the employee who opts out of his company's scheme is almost certainly going to be contracted-in. This will entail substantial administrative complexity and costs including payment of insurance commissions. If we start from the proposition that companies will not wish to increase pension costs, or to subsidise employees who opt out, then the present allocation (contracted-out National Insurance contributions plus company scheme contributions) will be used in calculating the new, opting out allocation of the higher level contracted-in National Insurance contributions.

national Insurance contributions plus residual company contributions to the private scheme.

This suggests that the employee will be no better off and may be worse off if he is charged with the additional administration costs. Nevertheless you reach a balanced conclusion that freedom may be the most important factor for some, even though they may damage their wealth.

My main reason for suggesting an alternative title stems from the attraction of the proposals and the danger that they may come to be regarded as solving the early leaver problem. This would divert attention from the much greater damage to the national wealth that already exists.

You referred to the subsidy in favour of the long-serving employee—this is often not properly recognised. Consider for a moment the prospects for such an employee who earns, say £12,000. On retirement from a good scheme his starting pension will be £8,000 a year (based on the conventional 2/3rds target). If married, a further State pension of £2,732 is paid giving a replacement ratio of 80 per cent.

As a pension target, 100 per cent replacement of income seems rather high especially if the same pension scheme gives a poor deal to the early leaver. I suggest that the solution to the early leaver problems may, in part, be in the hands of the majority of the country's pension schemes which do not take account of the state pension (58 per cent according to the 1982 survey carried out by the National Association of Pension Funds).

Why should this damage the national wealth? The answer is that the largest employer of all (the Government) makes no allowance for the state pension. This costs the country about £2bn a year—surely this can seriously damage everyone's wealth.

Colin Evans,
4 Southampton Place, WCL

The effects of replacing rates with a system of land value taxation

From Mr V. Blundell

Sir—The fears raised by Mr John de Rivas (May 4) of the effect of a land-value tax on a home owner whose land value rose dramatically are without real substance.

In cases of genuine hardship there is no reason why the present system of rate rebates need not apply. A home-owner, I am sure, would rightly expect a rate reduction if his land value decreased dramatically.

If the value of the property increases dramatically as a result of increased location value, then under the present rating system the rates should be increased at the next valuation anyway.

Dramatic increases in the land value of residential properties are the exception rather than the rule. Hampstead, Belgravia, etc. are not created overnight. There is far more to fear from prodigal local authorities whose recent rate increases are far more likely to cause bankruptcies.

At a time when we need more employment in the building industry and when many properties are in need of renovation and modernisation, it is scandalous that improvements to property are rewarded with increased rates. A land value only rate would end this absurdity and help to prevent building's bankruptcy.

V. H. Blundell,
63, Oaklands Avenue,
Brookmans Park,
Hatfield, Herts.

A ground rent paid to the community

From Mr B. Brookes

Sir—Mr J. de Rivas (May 4) who writes critically of a land-value tax because it does not use income as its basis should recognise that, outside of income tax, there are few fields of human affairs where the "ability to pay" principle applies.

When Mr de Rivas goes out to buy cigarettes he does not expect the tobacconist to ask about his financial state before telling him the price. When his wife goes to the butcher's she does not expect him to check her income or perhaps her and her husband's joint income—before weighing up a leg of lamb. When an industrialist comes to the end of a 10-year lease on a factory building, he does not expect the landlord to give him a new lease based on the company's profit and loss account.

A land-value tax is very much like this last. It is a ground rent, but paid to the community, who created the land value, rather than to a private landlord. And although it might be nice for the individual if his initial rent (tax) were to be maintained for all time, the interests of the rest of the community depend on its being adjusted for changing circumstances—either up or down—so that the development of urban areas takes place in a logical way without leaving vacant or under-used areas in the centres of cities.

If Mr de Rivas wishes to check the operation of a land-value tax in practice, he need only refer to the experience of Australia and New Zealand



where such a tax, for rating purposes, has been in use for many years.

B. W. Brookes,
62 Wickham Chase,
West Wickham, Kent

Rates might well go down

From Mrs E. Nichols

Sir—I can assure Mr J. de Rivas, May 4, that the home-owner would almost certainly be no worse off under land-value taxation than he is under the present rating system, and could be a lot better off.

True, if the value of his land rose dramatically (if, for instance, the amenities in the area vastly improved) he would have to pay a higher tax on it, but even under the present system, by which rates are levied partly on the land and partly on the house standing on it, the rates could rise dramatically—and, in fact, frequently do, with or without added amenities.

Moreover, whereas under the present system, Mr de Rivas's rates would rise if he effected any improvement to his house, under LVT he would pay no more.

In any case, initially Mr de Rivas's rates might well go down (as has been demonstrated by two surveys that have been carried out in Whitehall in recent years) since he would no longer be paying on both house and land but only on the land, so this would give him a good starting-off point.

(Mrs) E. A. Nichols,
8 Emmanuel Court,
Westbourne Avenue, W3.

Compensating for de-rating

From Mr D. Redfern

Sir—Mr de Rivas (May 4) is letting his imagination run away with him. We are not thinking about the actual prices that land will fetch on the market, which under our present system of monopoly and restriction (encouraged by the failure to tax vacant sites) are certainly subject to sudden rises, but of a soberly calculated difference between the two.

The householder in fact would pay less in rates if site value alone were taken into account. The pilot survey at Whitehall showed, to the surprise of the people carrying it out, that the rating of vacant

land compensated adequately for the de-rating of buildings and improvements.

An increase of income-tax, as proposed by Mr de Rivas, would merely make it less profitable for more people to work rather than live on social security.

David Redfern,
15, Fennell's Close,
Burton Road,
Eastbourne.

A tax on capital

From Mr H. Law

Sir—Mr de Rivas (May 4) has raised some pertinent questions about land value tax. I entirely agree with his assertion that taxes on capital are a bad thing. Property defined, however, land and capital are separate categories; land is not capital, but buildings and improvements are. The present rating system is indeed a tax on capital, but by ignoring buildings, land value tax would actually relieve capital of the burden of taxation.

The value of land is the rental income it can command, a benefit received either as payment to the landowner, or by way of interest on the investment in the case of owner-occupiers. The "capital value" of land is a lump-sum payment for future rental income, and it is this rental income which would be the subject of a periodic (eg annual) tax.

Fears of sudden increases in the rental value of land are unfounded; although upwards, the trend is a steady one. Where land values in particular areas have risen exceptionally, it has been due, not to the whims of fashion, but to tangible benefits, usually resulting from public investment. As an example, the Inner London suburb of Islington, which has not become fashionable until the improvements wrought by the Clean Air Act and the better access resulting from the building of the Victoria Line tube, looking to the future, we shall see land values in London's Docklands rise when the proposed rapid transit link is running.

With land value tax, there would be the choice of paying for the new benefits being enjoyed, or of moving elsewhere. Genuine hardship can be alleviated either by rebates or a system of deferred payments.

Henry Law,
8 Woodhouse Road,
Hove, Sussex.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

ONE OF David Pope's hobbies is boxing, which is just as well. Since he picked a near-comatose Swedish company up off the canvas two years ago, he has nurtured it back to health and taught it a remarkably strong punch. But he will now have to box even more cleverly if his Lazarus is to survive, for it is fighting in a ring which is becoming increasingly congested with Americans and Japanese, all desperately slugging it out for supremacy.

A restless, ebullient, fast-talking Englishman (who would make a brilliant boxing commentator), 48-year-old Pope was made president of Hugin Cash Registers at the end of 1980, as it was about to reveal a real haemorrhage of a loss: SKr 254m (\$34m), equivalent to 70 per cent of its turnover for the year.

Even if massive write-offs on outdated stock were excluded, its loss amounted to 30 per cent of sales. Such was the price of trying, from too narrow a base, to beat all comers in the mushrooming European market for electronic cash registers and "point of sale terminals."

Pope owed his apparently thankless job of miracle-worker to the equally put-upon Electrolux, which had just taken control of Hugin from its long-standing parent, the Swedish co-operative society.

Why one of the world's leading makers of vacuum cleaners, refrigerators and washing machines should have wanted to buy a desperately ailing cash register company would be a mystery if it were not for the peculiar workings of Swedish industrial policy.

It was not the first time Electrolux had been persuaded to "save the nation," as its chief executive, Gösta Bystedt, puts it. There was also the small matter of SKr 70m which it received as Hugin's dowry—it did not have to pay a penny, rather the reverse.

Finally, there was a small element of supposed corporate logic—the dreaded concept of "synergy." At first sight, Hugin seemed a likely "fit" with Facit, another "save the nation" burden which Electrolux had taken on eight years before. But there quickly turned out to be little logical or marketing logic for a link, and the two were kept independent. Facit, which makes office equipment, was sold last year to a more logical owner down the road in Stockholm, the Ericsson telecommunications group, which is moving rapidly into office systems.

In the short interval since Hugin was dumped on Electrolux, Pope has transformed the company beyond all recogni-

tion—but at a price. It is one which many other Western manufacturers are paying nowadays.

Behind the double-quick resurgence of Hugin's profits, to SKr 42m last year, lies:

● The stripping-away of all the diversification it had entered into in recent years, from credit card terminals for petrol pumps, to electronic football pool equipment;

● The abandonment of the company's two newest cash registers, proudly developed over several years at considerable cost;

● The cessation of all manufacture, turning Hugin into a distributor of products made as far afield as Japan and the U.S., although the company still controls the design of all but its most complex product line (this control is a key part of Pope's strategy);

● And the loss of hundreds of jobs, affecting management and staff of all types and at all levels. From just over 2,000 a year before the Electrolux takeover, the labour force is now down to under 900.

More positively Pope has radically refocused Hugin's marketing strategy, and reinforced its customer service and support;

and dramatically improved its asset management and corporate structure. Pope says this was his own doing, though Electrolux's rigorous financial controls certainly lent him support.

But for Hugin to continue to survive—either within Electrolux or more logically, under new ownership—Pope will have to get it in even better trim, and become still quicker on his feet. Not only must any distributor of electronic products be ready to change his source of supply at short notice if they look like becoming uncompetitive, but the growth of computerised networks of point of sale terminals—both within supermarkets and between them and the retailer's head office—is making for an unusually complex pattern of shifting alliances among equipment suppliers. Amid the general melee, small fry such as Hugin could be squeezed by the integrated "systems" companies, especially when retail terminals are directly linked into electronic banking networks.

The most obvious example of such risks lies in Hugin's front yard. National Semiconductor, the Silicon Valley giant from whom the Swedish company took an exclusive European licence in 1981 for its top-of-the-line "Data-checker" product, has just bought DTS, one of Hugin's arch U.S. rivals in the middle segment of the market.

Though the licensing deal will run for nearly three more years, and National's Johnny

A Swedish Lazarus



Christopher Lorenz talks to David Pope (above) about the rescue of Hugin Cash Registers and its need to consolidate its profitability

Humphries praises Pope's "very strong organisation," Hugin now faces uncertainty in both market segments. At best it could end up buying part of the DTS distribution network, perhaps as part of a deal in which it also took a licence on its products. At worst, it could find National terminating the Data-checker deal in 1986. Not without reason does Electrolux's Gösta Bystedt warn that in collaborative deals like this "one has to follow one's partners very carefully, and watch out for traps."

As a marketing expert par excellence, Pope seems well suited to mastering such manoeuvres. Before he emerged in the top seat at Hugin's

spartan Stockholm headquarters, he had taken the market share of its British subsidiary from 7 per cent in 1972 to a claimed 27 in 1976; its share is now higher still. In the process he returned the company to profits by 1980, the UK was one of only three of the 12 main Hugin territories making money (the others were Sweden and Denmark).

His key innovation in the UK was marketing focus, or what Pope characteristically calls "ride shot marketing." At a time when the company was demanding more sales staff to expand its customer base, he more than halved the sales force by focusing its attention only on major accounts, and

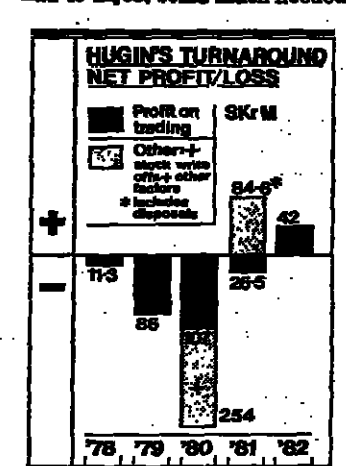
targeting still further on particular types of business. Smaller accounts were transferred to dealers. At the same time, Pope reinforced the customer service network, retaining more men per territory than some of his biggest competitors.

He applied precisely the same dual approach to Hugin's worldwide organisation in 1981, reducing personnel by 350 almost at a stroke, and pushing his European market share up to a claimed 17 per cent.

Better asset management and a tighter corporate structure had an equally sharp impact on the group's financial health. In less than two years from Pope's elevation in January

1981 Hugin's extremely high receivables and overdraft had been slashed to the bone by such simple devices as ceasing to pay salesmen their commission as soon as an order was invoiced, and instead waiting until the company had received payment. Dealers were only supplied with new types of machines when their old stocks had been sold off.

As part of the restructuring of its foreign subsidiaries — "no two of which operated in the same way," says Pope — he had to inject some much-needed



new capital into them. Within a week of the takeover, Electrolux had supplied the necessary SKr 90m, recalls Pope, paying credit (so to speak) to the way the company has treated its many acquisitions over the years. The Electrolux approach is basically one of decentralising an unusual degree of responsibility to its managers in the field, but applying a tough budgeting, accounting and reporting system.

Abandoning Hugin-made products was inevitably a painful exercise. Its flagship machine, developed expensively over four years to compete with the likes of IBM, NCR, the emergent Japanese, and National's Data-checker, was dropped partly because of the cost of the continued R and D that would have been necessary; it allowed Pope to cut direct R and D staff from 120 to 30. He also felt the machine would be uncompetitive on cost grounds within a year of its launch. "I almost had a riot on my hands," he says. "One of my managers almost throttled me; but the idea of Little Sweden rolling up its sleeves to fight the two giants? Leave off!"

As for the in-house product at the bottom end of the market — an electronic cash register not linked to a computer that Pope dubs "an electronic till" — Goran Skytte, Pope's

deputy and a finance specialist, discovered that its manufactured cost was far higher than had been previously calculated. On any foreseeable volume of production, it would be a loss-maker. Hence the decision, within a few months to go for a machine whose landed cost is only half the factory cost of a Swedish product.

The only surviving European production in Hugin's product line is its new design of mid-range cash register, which is made under licence by Facit.

In his dealings with the Japanese, Pope has astutely avoided falling into a trap which has caught so many western manufacturers, not only of cash registers but also of calculators, copiers and almost any electronic product one cares to name. It has been all too easy just to take Japanese-developed machines from existing production lines in Japan and, as Pope puts it, "cosmetically alter the appearance in order to sell under your own brand name."

Frequently the Japanese manufacturer later exploits the situation, selling the same machine under his own name in the same market, and leaving his former licensor-customer high and dry — and seething with allegations of oriental duplicity.

Hugin took the safer road of signing up a specialist development and production company, Shinwa, which supplies only to other equipment makers, including printing calculators for Facit. Hugin not only owns the design, specifications and software of its cash register, but also the tools with which it is made.

Though this arrangement is not foolproof, Pope is confident that it gives Hugin sufficient protection. Should the worst happen, he says he could get production up and running from an alternative Far East supplier within the six-month termination period of the Shinwa contract — the market wouldn't even notice.

The extensive search process by which Pope found Shinwa two years ago threw up an extremely valuable bonus. As the last in a line of European cash register companies looking for a source of supply in Japan, Pope says he "got the red carpet treatment" from nearly a dozen firms. "We now have a very good file on our competitors," he grins, with more than a hint that this was one of the reasons for the breadth of his search. All's fair in love and war, it goes to his credit, a trial collaboration — after all, today's partner may be tomorrow's competitor, or vice versa.

Expatriate pay 'too generous'

MANY British multinationals are overpaying their executives in overseas posts.

This is the view of Bob Elms, deputy group personnel manager of the giant UK telecommunications company Cable and Wireless, which does business in 60 countries.

According to Elms—speaking to personnel managers at a London seminar on the problems of the international executive, organised by Inbucan, the management consultants—many pay packages for expatriates take account of hardships which may have existed in the past, but which no longer do so.

"Many employers, particularly the major international groups, have developed formulas for setting levels of pay," he said. "Looking at the expatriate scene today, it is becoming increasingly evident that a number of these pay systems have become over-generous."

Elms says that many systems fail to recognise that pay should be adjusted following changes in standards of living, care, living conditions, amenities and in custom and practice. "There may be unrealistic elements in the formulas, for example, allowing for expenditure that is not actually required or utilised."

"Part of the problem is that many systems were designed when there wasn't a market place. This is not to say they were ill-designed," in many cases there were no comparable jobs in the territory to enable salary comparisons to be made.

Pay packages do not take into account what it would currently take to attract an equally capable candidate. "A lot of people are getting paid more than they are worth," he maintains.

So, by how much does Elms think that some expatriates are being overpaid? "It is reluctant to be specific. If the contention is accepted, however, that some employers are paying more than is required to attract and retain the right people, it follows that salary surveys will reflect unnecessarily high levels of pay."

"The problem, therefore, tends to be self-perpetuating and presents an interesting and unusual dilemma for those trying to resolve it."

Arnold Kransdorff

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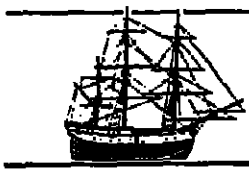
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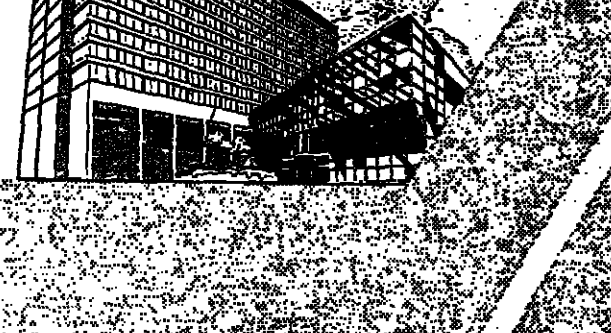
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THE ARTS

Music

LONDON

Academy of London conducted by Richard Stamp with Mervyn Dickinson, contralto and Yehudi Menuhin, violin. Sir Lennor Berkeley 80th birthday concert. Mozart and Beethoven. Royal Festival Hall (Mon) (263191).

Lionel Hampton and orchestra. Barbican Hall (Mon). (338888).

Philharmonia Orchestra conducted by Lovro von Matačić with Lynn Harrell, cello. Mozart, Haydn and Beethoven. Royal Festival Hall (Wed). (263191).

Royal Philharmonic Orchestra conducted by Kurt Masur with Kyung Wha Chung, and Paul Tortelier, cello. Mozart, Brahms and Dvorak. Royal Festival Hall (Thurs). (263191).

City of London Sinfonia directed by Stephen Cleobury, harpsichord. Handel, Purcell, Fux, Bach and Vivaldi. Barbican Hall (Thurs). (263191).

Bonnie Scott, Fifth Street Tenors. Arnet Cobb (ex. Lionel Hampton). (430707).

PARIS

Grace Semberly recital with piano (Mon) T.M.P. - Chatelet (261183).

Gala 50 in Fédération Internationale des Droits de l'Homme. Rach, Doppler, Fauré, Ravel, Mendelssohn (Mon). Theatre des Champs Elysees (723477).

Alicia Nels recital with Miguel Zanetti. Mendelssohn, Tchaikovsky, Liszt, Moussorgsky, de Falla (Mon). Theatre de l'Athenée (743727).

Ensemble Orchestral de Paris conducted by Jean-Pierre-Wallès, Contralto Wenzel, contralto; Handel, Wagner (Tue). Theatre des Champs Elysees (723477).

Orchestre de Paris conducted by Rafael Kubelík with Mira Zakal, the Orchestra Paris choir conducted by Arthur Oldham; Mahler's Symphony No. 2 (Wed, Thurs) Salle Pleyel (563877).

Orchestre de Paris conducted by Claudio Abbado; Strauss, Wagner (Thurs). Paris Opera (743759).

Stephan Bishop-Kovacs, piano; Beethoven, Brahms (Thurs). Theatre des Champs Elysees.

NEW YORK

New York Philharmonic, Andrew Davis conducting. Vaughan Williams, Elgar, Dvorak (Tue); Andrew Davis conducting. Lorne Munroe, cello. Bartók, Walton, Beethoven (Thurs). Avery Fisher Hall (774243).

Alfred Brendel, piano. Beethoven (Mon, Thurs). Carnegie Hall (247459).

Philadelphia Orchestra: Eugene Ormandy conducting. Eugene Ormandy, piano. Beethoven, Brahms (Tue). Carnegie Hall (247459).

Nash Ensemble of London: Mozart, Beethoven, Bach, Hummel, Mendelssohn, Koussevitzky (Mon, Alice Tully Hall: 382191; Tue, Symphony Space: 95th & Broadway (884500).

Covered Royal St. Thomas Church: Purcell (Tue), St. Thomas Church (53rd & 5th Av. 751701).

WASHINGTON

National Symphony: Peter Maag conducting. Gary Karr, cello; Mozart, Koussevitzky, Bottesini, Mendelssohn (Tue, Wed, Thurs). Concert Hall, Kennedy Center (254778).

William Schuman: cello; Schuman series (Tue), Terrace, Kennedy Center (254989).

CHICAGO

Chicago Symphony: Leonard Slatkin conducting. Claudine Carlson, mezzo-soprano; Haydn, Britten, Schumann (Thurs). Orchestra Hall (435812).

VIENNA

Musikverein (838100): Vienna Symphony Orchestra; conductor: Georges Pretr, Berlin and R. Strauss (Wed and Thurs).

Konzerthaus (721211): Yo-Yo Ma, cello. Bach (Tue); Alban Berg Quartet. Haydn, Von Einem. Beethoven. (Thurs).

ZURICH

Tonhalle: Tonhalle Orchestra conducted by Gary Bertini with Garrick Ohlsson, piano. Brahms and Beethoven (Thurs). Tonhalle (538100).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The new production of Puccini's *Manon Lescaut*, a blend of understatement and fair in the main, is redolent by the Des Grieux of Placido Domingo. The revival of *The Meistersingers*, conducted by Colin Davis, shows some familiar Royal Opera Wagnerian Solti, Popp, Evans, Tear - and an unfamiliar one in the Hungarian tenor Robert Hoshaby, singing his first London Walther. (249108).

English National Opera, Coliseum: The Gambler, an early, uneven, but immensely exhilarating Prokofiev opera, receives an exciting London first staging by David Pountney. The well-rehearsed but still slightly Magic Flute introduces some ENO newcomers - Glenn Winstlake as Tamino, Joan Rodgers as Pamina. (838101).

Royal Opera House, Covent Garden: Sadler's Wells Royal Ballet in Swan Lake. Triple bill on Wednesday. Sadler's Wells, Rosemary Avenue: Laura Dean Company from New York opens a season of whirling and turning to Miss Dean's score. (275879).

PARIS

Romeo and Juliette choreography by John Cranko, directed by George Tzeng-Rides by Paris Opera Ballet. Paris Opera - Salle Garnier (743759).

La Belle Helene alternates with Poulenc's *Dialogues des Carmelites* with Maria Ewing in the role of Blanche de la Force and Regine Crepin in that of Madame de Croissy. Opera Comique (266811).

WEST GERMANY

Berlin Deutsche Oper: Der Fliegende Holländer with Katarina Ligandina and Martti Salminen; Edda Moser

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HOLLAND FESTIVAL

Japan exerts a strong influence on this year's festival which runs from mid-May throughout June in Amsterdam, The Hague, Rotterdam and Utrecht. There will be a festival of 80 Japanese films, a visit by the Bunraku puppet theatre of Osaka and Japanese music at the Concertgebouw.

Other rarities include jazz pianist Chick Corea and classical pianist Friedrich Gulda combining to play Mozart.

East German theatre will be represented by performances of the work of Heine Müller by groups from throughout western and eastern Europe.

Festival offices - Amsterdam (732245); The Hague (557800).

Walter Ellis

Confidence

Passion

Handgun

The prize-winning *Mephisto* (1981), which was critically praised and successfully marketed in Britain as both a theatrical feature and a video release, dealt with survival under Nazism through one sort of accommodation. *Confidence* (1980), also directed by Istvan Szabo, a father figure in the Hungarian cinema but whose 20 years' work before *Mephisto* is virtually unknown in the West, deals with survival in the Budapest of 1944 through another sort of accommodation.

Confidence is, in part, about role-playing - though unlike in *Mephisto*, these performances are of necessity. Its mode is an intense chamber drama. Two terrified strangers are forced to assume new identities, to pose as man and wife and to hide in the house of an old couple who take them for refugees. They finally cling to past certainties in the face of present enormities. The man, Janos, compels the woman, Kata, to rehearse her new identity. Out of his own fear of betrayal, he cruelly suppresses her in their claustrophobic, nearly ordered prison against the night when the knock will come at the door. The heart of the matter is Kata's willing surrender, despite her sickening fear for the safety of her husband and particularly their small daughter, to a wholehearted love for the still mistrustful Janos. She exults like a schoolgirl - "I have my first lover" - but later has the courage to face what she has done in this out-of-joint time. He remains constrained by his fears. The manner in which Kata's love grows, its detailing, its believability and its tragic brevity, makes *Confidence*, for all its old-fashioned linearity, a work of conviction and substance. The four-square principals are Rikio Banagi and Peter Andor.

Film-making of a very different sort - self-regarding, fragmented, non-linear, exuberant, abstract - is on display in Jean-Luc Godard's *Passion*. Wim Wenders' recent *The State of Things* found a German director marooned in a crumbling Spanish hotel beside the ocean; the money for a sci-fi feature, *Die Sehnsucht*, was gone to ground in Hollywood. *Passion* finds a Polish director (of a sketchy film, *Passion*) marooned in a Swiss ski-doo - the lighting is like that of the world's premier is impotently beside him.

Private Lives/New York

Frank Lipsius

Who better to set about Noel Coward's cutting and caddy dialogue in *Private Lives* than Elizabeth Taylor and Richard Burton? They have tied and untied the knot twice between them, going better than Egypt and Amanda's chance reunion on their respective second honeymoons. But Miss Taylor and Mr Burton at the Lunt-Fontanne Theatre convey Coward's sophisticated as though it were boredom. They seem so unfazed by it all that this resembles what the third reconciliation might look like, not the first. Under Milton Katze's uninspired direction, the principals have obviously chosen a vehicle to substitute for a fan magazine version of their long, and no doubt less witty, affairs.

David Mitchell's elegant sets swallow the action in velvet pillows and deep carpet, but they also seem to smother the words. The blame may belong to a miking system that seems to make Mr Burton have to whisper and accentuate Miss Taylor's confusion about just what kind of agent she wants to use and in what tone. She is no more purposeful in her stage movements, which alternate between strutting and tiptoeing. Between his stiffness and her coyness, there is no doubt they are performing but some question whether it is acting.

What is revealed about their lives does not at all satisfy one's curiosity. It sounds too clever to have come from these two, who look prosperous enough in Theoni V. Aldredge's overdone underwear but not quite the type to be in Deauville or in an artist's glass-roofed Paris studio. At times they look like the parents of the people meant to be in the play. They seem to know it, too, and treat the exercise as a small joke they share with the audience. This is grossly unfair to Noel Coward who made his characters appealing because they are funny and charming - not ageing superstars.

John Cullum looks as though he just walked out of a 1930's film to be Amanda's new husband, Victor, while Kathryn Walker as Sybil plays her version of sophistication as the out-of-control dapper. This small contribution to the theatre reveals at least that Americans don't so much suppress class consciousness as not recognise it at all, even where it does exist.

F.T. CROSSWORD

PUZZLE No. 5,170

ACROSS

- 1 Part owner, part container (11)
- 2 Bled by Old Boy for duck (3)
- 3 Ideas changed by chance remark (8)
- 4 Delivered slate with covering round (9)
- 5 Tax point requires precision (9)
- 6 House deposit (5)
- 7 Not just indisposed - a leg is broken (7)
- 8 The timber trade (4)
- 9 Movement to overthrow (7)
- 10 Fox containers used by sailors (7)
- 11 Neglected out of boredom, it seems (5)
- 12 I'm to negotiate without delay... (8)
- 13 ...for each retired actor (9)
- 14 I got half to put together my defence (5)
- 15 Be equal to the commitment (3)
- 16 Reformation is the nearest wreck to the Cape (11)

DOWN

- 1 It's not necessary to tease the human (5-3)
- 2 Friendly message sent at the end of a motorway (8)
- 3 Upright hold (5)
- 4 Usually trapped by drill in order to reduce friction adequately (7)
- 5 Degrading affair involving graduates (7)
- 6 Another issue about freedom (9)
- 7 Happen to live with the trend (6)

Cinema/John Pym

The playing of roles with passion



Clayton Day as the guest lecturer in "Handgun"

self-trying despairingly to figure out which way to turn. Film-making as the subject of *Handgun* is not new - it reached an exultant apotheosis in Truffaut's *Day for Night* - but in the 80s, in the wake of such apocalyptically "disastrous" movies as *Heaven's Gate*, the subject has been given a new twist. Witness, for example, the compelling fascination of Les Blank's documentary on the vicissitudes of the production of *Fitzcarraldo*. The problems of raising and holding on to independent film finance, of resisting the siren call of MGM (if you are lucky enough ever to hear it), of finding an authentic subject, are now fit meat for the complete filmmaker. In Godard's hands they are brilliantly synthesised.

The veteran cameraman Henri Alekan brought to *The State of Things* a marvellous formal beauty; and Godard's old collaborator Raoul Coutard - who is heard discoursing on his art - brings a ravishing look, natural and unnatural, to *Passion*. Godard's subject, however, and in so short a space the film is impossible to summarise, is not only about the boundless possibilities of cinema (and the earthbound constraints on them), but also about the equality of the fine arts (the film within the film is being fashioned from tableaux vivants of paintings by the old masters) and the labour of the world (that of a factory girl, a film

Exhibitions

LONDON

The Tate Gallery: The Essential Cubism is a wonderfully particular and illuminating exposition by Douglas Cooper and Gary Tinterow, with the choicest examples at every turn, of Cubism in its definitive period from 1907 to 1928. Bragge and Ponce dominate the show, and as prime movers and principal exponents, so they should. But their relation to their immediate associates and followers is made clear - Cézanne the most substantial of them at the time. Later the most idiosyncratic and independent, Laurens and Lipchitz the sculptors, Delaunay, Marcoussis, Villon, Gleizes and Metzinger. Ends July 10.

PARIS

Claude Monet: Homage is paid to his Giverny period with 45 of his paintings, including the *symphonies*, at the Centre Culturel du Marais, 28 Rue des Francs-Bourgeois (773225). Closed Tue, Ends July 17th.

Edouard Manet: An exceptional retrospective marks the 100th anniversary of the artist's death including *Olympia*, the Bar at the Folies Bergères, *Nana* and *Dejeuner sur l'Herbe*. Paintings, which at the time created such a scandal, are now seen as classics in the tradition of Frans Hals and Velasquez. April 18-August 1, closed Tue. Life night Wed till 10pm (2615410).

WEST GERMANY

Cologne, Wallraf-Richartz-Museum.

An der Rechtschule: Irish art of three thousand years comprises virtually all Irish national treasures on loan from the Irish National Museum, Trinity College, Dublin, and Irish Academy of Sciences. Manuscripts, relics of Irish Saints and utensils from the workshop of Irish monasteries; silverware and gold and silver jewellery. Ends June 2.

Mainz, Mittelrheinisches Landesmuseum, 49 Grosse Bleiche: In honour of the year's 500th anniversary of Martin Luther's birth, the museum is showing original drafts, documents, models and photographs recording the conception and realisation of a number of public memorials to the great reformer in the 19th century. Closes at the end of May.

Bielefeld, Kunsthistorisches Museum, 81, Waller Graben: Coal drawings and sculptures by Otto Pankok, the German artist banned under the Nazis. Ends June 5.

Berlin, Bauhaus Archiv, 13-14 Klinkhoffstrasse: Eighty oil paintings between 1928 and 1932 by Georg Meisner, the German Bauhaus teacher, now aged 88. Ends June 12.

Hannover, Kestner Gesellschaft, 18

Warhol: 200 oil paintings, water colours, collages and drawings from between 1948 and 1982 by Peter Blake, the British painter. Ends June 12.

ITALY

Venice, Museo Correr: Eighteenth century engraving. Ends June 5.

NEW YORK

Winslow Churchill (National Academy of Design): Painting as a pastime includes 60 works borrowed from Churchill and Churchill family members as part of the British Salutes New York Festival. Ends July 3.

CHICAGO

Museum of Contemporary Art: To complement the museum's self-appointed task of documenting American twentieth century art, comes an exhibit of 47 unschooled German painters of the 20th century, among them Adalbert Trillhaas, the Bible-painting clerk who inspired Dürer's religious early style. Ends May 22.

BRUSSELS

Palais des Beaux Arts: Venetian drawing of the 18th century. Tapolo, Flax, Piranesi, Guardi, Canaletto. Seize Generale. Ends June 10.

Kredelbank: Young artists of Flanders.

Museum des Costume et de la Dentelle: From North to Chanel.

Theatre National (from 8pm to 11pm): British posters 1890-1980.

VIENNA

Kunsthaus: The Turks before the City of Vienna. A historical exhibition which aims to show the situation in Europe in the second half of the 17th century which led to the siege and the battle during the summer of 1683.

Heeresgeschichtliches Museum: The Turkish War.

Museum Des 20. Jahrhunderts: The Turks before Vienna. An exhibition not so much concentrated on the war and military aspects of the siege of Vienna as pictures depicting the political and cultural perspectives, development of conflicting cultures, different religions and prejudices against foreign influences.

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Friday May 13 1983

The split in
Afrikanerdom

THE RESULTS of South Africa's latest survey of by-elections have shown that a significant portion of the white electorate of that country remains profoundly conservative, and unwilling to countenance any change which might threaten its exclusive control of power. What they do not prove is that Mr P. W. Botha, the Prime Minister, faces any real threat to his position from the far-right-wing of his own Afrikaner people, because of his proposals for cautious reforms of the South African constitution.

The polls were billed in advance as a battle for the soul of the Afrikaner, and many commentators suggested that Mr Botha's ruling National Party might lose all three Parliamentary seats at stake: two to the far-right Conservative Party, led by Dr Andries Treurnicht, the high-priest of apartheid, and one to the liberal Progressive Federal Party.

In the event, the only loss was to Dr Treurnicht himself, in his own seat of Waterberg, where he has a staunch personal following. Mr Fanie Botha, the Minister of Manpower and one of the Prime Minister's key lieutenants, held off the strong CP challenge in another very conservative rural area, Soutpansberg, while the National Party candidate easily resisted the PFP challenge in the affluent Pretoria constituency of Waterkloof.

The appeal of
partnership

TO READ the manifesto of the SDP-Liberal Alliance is to suffer something very like nostalgia. For all its rhetoric about decisive change and fundamental reform, it looks like the least radical of the three major alternatives put before the electorate. It invites nostalgia for the decent, orderly world of Butskism, its appeal to a sense of partnership and common interest is addressed to anyone who has grown up with a well-developed moral sense.

A country in which a majority could be relied on to vote to sink their sectional differences would be a better country in many ways. The central Alliance claim that this is just how people would vote, given the assurance of proportional representation, is appealing. However, it is unlikely to be tried for many years.

Fundamental
Realistically what is on offer is not a programme for government, as the manifesto would have it, but a prospectus for a partnership of a different kind — the coalition which could in theory emerge from the vote on June 9.

This gives little or no chance to some proposals which the Alliance itself must regard as of fundamental importance. The next government is not going to base its economic strategy on an enforceable incomes policy, it is not going to compel companies to yield worker representation on genuinely non-union lines, and it is not going to experiment with large-scale political devolution.

These notions can therefore be mulled over at leisure; at this stage we will say only that the incomes policy proposals look well thought-out, but unlikely to bear the economic weight it is proposed to place on them. That the industrial democracy proposals are certainly an improvement on Bullock, but that we can see little merit in devolution for its own sake.

Much of the manifesto, however, sets out policies which could perfectly reasonably be the subject of bargaining in a possible coalition — and it can be said at once that the only partnership which would be at all probable is between the Conservatives and the Alliance. The whole thrust of Alliance

policy, based on Europe, Nato, open trade and a basic reliance on free enterprise is impossible at odds with the new-model, isolationist Labour Party.

On economic strategy there is rather less difference between the Alliance and the present government than meets the eye. The Alliance proposal for £11bn PSBR is not impossible higher than the borrowing which from Sir Geoffrey Howe's covert relaxation last March.

The stress on a competitive exchange rate and a more accurate monetary policy is stated in the present text's from those used by Sir Geoffrey, who talks of a stable rate and the need to get interest rates right, but the actual differences could be negotiable between reasonable men. Policy might be slightly more expansionary, and welcome, on that account.

On matters of detail, the differences are more important. The tax policy proposals are aimed to substitute cash benefits for personal tax allowances and especially the carried man's allowance, with higher child benefit and a long-term aim of integrating tax and benefit policies.

Welfare
This is indeed the logical way to attack the poverty trap, as the more radical Tories recognise they might be less attracted by the cost, higher taxes on high incomes. Certainly a coalition would handle the welfare system more gently than the radical right would like.

Defence policy the Alliance stress on conventional arms, the abandonment of Trident and a willingness to include the British deterrent in the current stage of strategic arms reduction negotiations has its own strong logic. There are attractive proposals on education, with a strong stress on post-experience education and the school curriculum, which have no ideological drawbacks: there is also, unfortunately, the usual competitive drive to throw more money at the private house buyer. But it is clear that the Alliance might make valuable coalition partners, offering ideas as well as restraint. Another untested hypothesis?

IN almost every sphere of politics other than the European Community, a week is conventionally regarded as a long time. In the EEC, however, weeks, months, even years are regarded by its devotees as microseconds in the measured pace of historical development. So it is that after four years of unrelenting efforts Mrs Thatcher, a believer if not a devotee, is embarking on an election campaign without having disposed of the fundamental problem in Britain's relations with the EEC.

The Prime Minister will find this judgment too narrow and will exonerate a growing list of benefits the UK is deriving from membership. Yet the unresolved issue of Britain's payments to the EEC budget remains her Achilles heel, and the Labour Party will make much of it.

In their defence, the Government will highlight their successes in chiselling £2bn, or only by splitting the National Party that Mr Botha has made progress possible towards some form of racial accommodation in South Africa. But it must be said that his proposals to date still fall far short of anything which could win widespread support from all the population groups of South Africa.

His constitution is both inadequate, and hopelessly unworkable. It has three separate chambers for the three racial groups represented, unclear divisions of responsibility between them, unworkable over who will be responsible for dictating laws to the black population of the country, and it leaves sweeping powers to an executive president — likely to be Mr Botha himself — to resolve all potential conflicts. He has promised to hold referenda on the proposals in the white, coloured and Asian communities: none is likely to give it full support. Add to that the wholehearted opposition of the black community, and he is left with a deal which may enjoy the backing of little more than 10 per cent of the population.

In spite of having survived his latest electoral test, therefore, Mr Botha would be well advised to re-think his new constitution. Indeed, instead of pressing ahead in that area, he would be far better occupied pushing through more reform in the economic field. He could do far more to create real jobs for labour, to promote the training and employment of skilled blacks as well as whites, and to stop the present inhuman and counter-productive policy of pass control and resettlement of blacks. Such measures could restore a sense of direction to the Community, launching the key budget negotiation, by setting a date for Spain and Portugal to join the EEC and by adopting a declaration in favour of strengthening the integration process.

These ambitions are lofty even with Mrs Thatcher present. Without her participation, particularly in the budget negotiation, the summit may be as useful as a game of baseball without the pitcher.

The heads of government will arrive in Stuttgart with their ears ringing with the Commission's warnings of the Community's imminent bankruptcy and its plea for a speedy adoption of its proposals for member government to funnel more money into Brussels.

According to the Commission, it is offering no panacea but an essential key for the Community's future development. In other words, the proposals should settle the British budget problem, provide more money to finance new policies, meet the increased costs of Spanish and Portuguese membership and boost the role of the European Parliament.

Although regarded by many observers as more undisciplined than any of its predecessors, this Commission, headed by Gaston Thorn, has managed to produce the main elements of a political bargain. If government can be induced to strike one of its proposals, the UK's interest in permanently securing a much lower rate of payment to the EEC budget against the manifest desire of the majority of other member states to ensure that enough money keeps flowing into Brussels to finance the Common Agricultural Policy at something like its current level of activity.

There lies the strength of the British and West German negotiating hand which for the moment refuses to acknowledge the need to raise the limits on Community budget revenues. For both countries assuming that there is no change in Downing Street might be persuaded to trade the revenue card in return for efficient controls on farm spending and permanent reductions in Britain's net payments.

Mrs Thatcher and her Ministers find the Commission's proposals interesting but incomplete because they do not clamp down on agriculture and because they would not produce a big enough reduction in Britain's payments. Commission officials estimate that their immediate effect would be a cut of between one third and a half in Britain's net contributions which are now running at the rate of £1.2bn a year.

The proposals would retain the two elements for raising the budget revenues that were introduced back in 1970 but which only became fully operational in 1980 because of member states' dilatoriness in securing the necessary domestic legislation. However, there would be a small supplement in the shape of 60m European currency units (Ecu) derived from levies on steel imports and possibly through an energy consumption tax whose proceeds would be devoted to energy policies.

The first traditional element is the customs duties and agricultural levies collected by member states at their national borders.

A Community "own resource" because they derive from the common external tariff, these have ceased to be a dynamic source of revenue because of stagnant trade and gradual tariff dismantlement. They have risen by about 6 per cent per annum over the last seven years while EEC spending has doubled and they now provide less than 40 per cent of total revenues.

The brunt of the financing, as a result, is increasingly borne by the VAT system. This was originally conceived as something which would directly link the citizen as taxpayer with the funding of Community policies. All member states would collect VAT and pass over a proportion to Brussels, subject to a limit of 1 per cent of the total.

In reality, member states do not levy VAT on the same goods and services at the same rates, and so a common basket in the costs of the Common Agricultural Policy (CAP) has been devised. Each government provides an estimate of the total national volume of retail sales for the basket and up to 1 per cent of this total can be called in by the Community.

The immediate and future problem is that the growth of this retail volume is not keeping up with Brussels' appetite for funds. This year all but about £500m of the 1 per cent limit will be spent, while next year the deficit between the Community's spending proposals and the ceiling will be only £411m.

The Commission's solution is to lift the ceiling to 1.4 per cent by means of an amendment to the EEC Treaties which will have to be ratified by national Parliaments. After that, own resources should cease to be a national Parliamentary concern, says the Commission. It recommends, very controversially, that each subsequent 0.4 per cent increase in the ceiling should be determined by unanimous agreement of member governments and a three-fifths majority of the European Parliament.

Why is the 1 per cent ceiling now said to be inadequate? The answer lies in the fudged solutions and muddled priorities adopted by the Commission and member governments over the past three years.

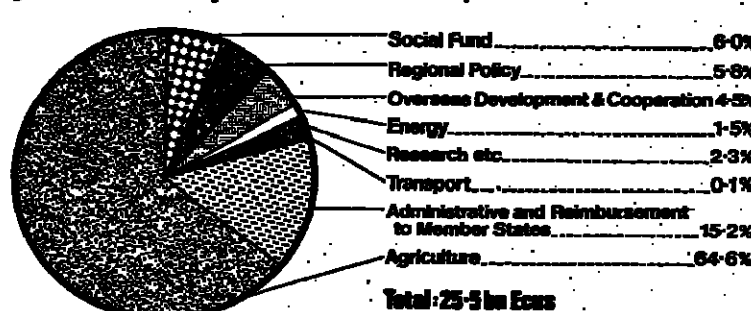
Whipped on by Mrs Thatcher when she presided over the London summit, heads of government tried and failed in December 1981 to get a better grip on farm spending. Their deadlock did not seem too disastrous because agriculture was suddenly losing its voracious appetite for funds. After a 23.2 per cent annual rise in the costs of the Common Agricultural Policy (CAP) between 1975 and 1979, the hungry beast turned sickly in 1980 (8.4 per cent above the year before) and declined in 1981 when total farm spending was actually lower than in 1980.

Nevertheless the slide rules have been very active in national capitals over the last few days working out the national budgetary disadvantage of the Commission's proposals. This will not be the crucial factor determining attitudes in all cases. But as far as the future of the EEC is concerned, everyone is now being asked to put some money where their mouth is.

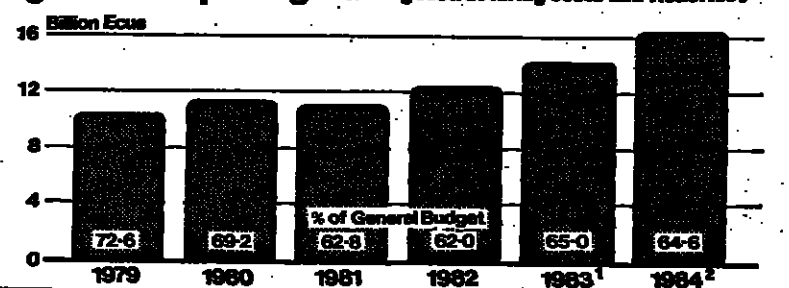
FUNDING THE EEC

How not to run out of money

By John Wyles in Brussels

COMMISSION'S SPENDING PROPOSALS for 1984
Subject to amendment by member states and European Parliament

Agricultural Spending (excluding restructuring costs and fisheries)



(1) Subject to increase by supplementary budget. (2) Preliminary draft budget by Commission. Subject to amendment by member Governments and European Parliament.



Commission president, Gaston Thorn: elements of a political bargain.

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Men & Matters

Electoral risks

Scarcely an election passes without some candidate or agent falling foul of the electoral law. There are more than 200 pages of do's and don'ts to be observed in the representation of the People Act 1983.

But for the first time in this election, those at risk from election petitions can get some insurance protection. The Liberal Legal Benefits, a member of the Legal Protection Group, is offering a policy to candidates and agents that would cover them against legal costs of up to £50,000.

That sum, says managing director Brian Raincock, was around the level of costs that Adrian Slade and Pat Wainwright, the successful Liberal candidate and agent in Richmond's 1981 GLC election, faced in an action brought against them for overspending their budget by 66p.



"Friday the 13th! She's probably made over six hundred politicians superstitious at a stroke!"

Baltic tars

The Queen's visit to Sweden in the Royal Yacht Britannia later this month offers a trade opportunity which the wise men of the British Overseas Trade Board and the Committee on Invisible Exports have been quick to exploit.

By pulling Palace strings they have managed to borrow Britannia for a day while she is in Swedish waters.

A grand conference is planned to talk about Anglo-Swedish cooperation in overseas markets. About 100 delegates (20 British and 80 Swedish) will attend a shipboard seminar and enjoy a mini-cruise lasting most of the day in and around Stockholm harbour.

William Clarke, director of the Invisibles committee, is frank about the advantages of promoting trade on the Royal Yacht — it was done on one previous occasion in the Bay of Naples: "Very few people refuse the invitation, and once aboard they make up what could be called a captive audience."

In exploiting the potential of the Royal Yacht the export men are pursuing the old principle that trade follows the flag. The Britannia talks will, however, concentrate upon joint flag operation between Sweden and Britain.

Action replay

Walter Cronkite, former star of CBS news and, according to

opinion polls, more respected and trusted than any U.S. politician, is to cast a fresh eye over the British election campaign. He will make two special World in Action programmes for Granada Television.

Cronkite says he is looking forward to renewing acquaintance with Michael Foot. "We knew each other when I was war correspondent in London in the 1940s," he says. "Should be just like old times."

House room

There is not much risk, on the other hand, in betting that several of the senior Conservative MPs who retire from the Commons today will still be making regular appearances at Westminster after the General Election — as members of the House of Lords.

John Birt, who has been MP for Yeovil since 1951 and was the only member of Mrs Thatcher's 1979 Shadow Cabinet not to get a ministerial post, is one obvious candidate for a peerage.

In political terms, transition from the Commons to the Lords has often been likened to life after death. That is what seems to have been in the thoughts of Sir Albert Costain, MP for Folkestone and Hythe since 1959, during his final Commons speech yesterday.

He expected to be listening to the next debate on a Finance Bill he said, "from the gallery, either upstairs or downstairs, in heaven or the other place."

There is a strong feeling in the City of London that the two countries have the capacity to undertake many joint overseas projects by combining complementary skills — in particular British financing and consultancy, and Swedish technical management.

A model for the Britannia talks will be the recent Anglo-Swedish partnership on a case study for the Mifika hydro project in Indonesia.

Bio-scope

The oldest and largest U.S. biotechnology company, Cetus Corporation, is losing one of its founders.

Dr Peter Farley, vice-chairman of the company he helped to set up 12 years ago, has handed in his resignation and plans to form a new venture in the ever expanding health care market.

His departure will come as a blow to the microbe engineering company which was among the first to go public in 1981 leading a subsequent wave of biotech new issues.

With the company now in new hands, Farley clearly believes it is time to face a new entrepreneurial challenge. He is not, however, leaving the world of new technology altogether. His new company plans to market a specialised software package to measure the quality of health care and cost efficiency of hospitals and doctors for insurance companies eager to cut costs.

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Observer

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BIOTECHNOLOGY IN BRITAIN

How to make a Nobel prize pay

By David Fishlock, Science Editor

CAN THE world's best scientists be persuaded to work closely with industry to open up new commercial opportunities for Britain? This is a question which is exercising the Prime Minister's science advisers, who are investigating how the UK could capitalise more effectively on its Nobel-prizewinning scientists.

In the laboratories Britain's best scientists are discovering a very effective mechanism for closer industry-university relations in some of the new biotechnology ventures. Already Britain has more than a dozen ventures, out of about 200 worldwide. Several new ones are gestating and may be born this year.

The best scientists—those of Nobel prizewinning calibre—rarely want to work for big business, such as the big drug companies, says Dr Alison Taunton-Rigby, the Yorkshire-born vice-president for research of Collaborative Research, a leading U.S. biotechnology venture. But they can be persuaded to work very productively with small commercially minded research teams having the flexibility—and the will—to respond swiftly to a fast-changing science.

Such small teams in turn will act as nurseries for new inventions until they are robust enough to be transplanted into bigger industries.

Dr Taunton-Rigby, who emigrated soon after taking her PhD at Bristol, works closely with Prof David Baltimore of MIT, a "genetic engineer" who won the Nobel Prize for Medicine in 1975.

Prof Herbert Boyer from Stanford University, California, co-inventor of a basic technique of genetic engineering, by which genes can be tailored, is the founder of Genentech, a San Francisco company worth about \$500 million in 1977, is scientifically the most successful of all the new biotechnologies.

Dr Walter Gilbert, formerly Prof Gilbert of Harvard, Nobel prizewinner for medicine in 1980, founded Biogen in 1973 to exploit internationally the same principles on which Genentech is based. Dr Gilbert has since resigned his university chair to become full-time chairman and chief executive. His corporate investors include Grand Metropolitan. So valuable does Biogen rate Dr Gilbert, it has taken out "key-man insurance" of \$5m on his life.



Mr Gerard Fairclough exclusive deal



Sir James Gowans dismisses complaints

Both Genentech and Biogen recruited impressive scientific advisory boards of top-notch university scientists, often close collaborators of their founders, working right at the frontiers of the science, to guide their research programmes. Biogen, whose scientific advisers were recruited mainly from European—including British—universities, has contributed over \$6m to their laboratories.

But Celltech in Britain may have gone one better. This upstart, born only at the end of 1980—amid forecasts that it was "too little, too late"—has harnessed an entire national research effort to its research programme, to the chagrin of British pharmaceutical groups, just awakening to its progress.

Celltech was Britain's response to Genentech, Biogen and a host of other U.S. biotechnologies launched in the late 1970s to exploit the new techniques of genetic engineering. It was created by the National Enterprise Board, since combined with the National Research Development Corporation and renamed British Technology Group (BTG). It got the kiss-of-life from a government opposed to new state ventures because more than half the £12m wanted for the launch was subscribed by the City.

But the real coup on the part

of Mr Gerard Fairclough, Celltech's creator and now chief executive, was not raising City cash. At a time when Americans were tumbling over themselves to invest in such bio-ventures. The real coup was his deal with the Medical Research Council, giving Celltech exclusive access to all research on monoclonal antibodies in the laboratories and units of the MRC.

The MRC is a government-funded research operation, costing the taxpayer more than £100m a year, employing four Nobel prizewinners. Monoclonal antibodies were discovered in one of the MRC's laboratories, in Cambridge, in 1976.

But the potential commercial value of monoclonal antibodies went unrecognised in the mid-1970s. The delay may have cost Britain the opportunity of patenting one of the basic techniques of genetic engineering. Celltech offered everyone a golden opportunity to repair any past errors. Sir James Gowans, the eminent Oxford medical scientist who manages the MRC, accepted a seat on its board, as token of his own enthusiasm for transferring MRC inventions and discoveries to the new venture. Sir James was delighted with the success shown on both sides for rapid

technology transfer.

He brusquely dismisses complaints by companies which charge that Celltech's exclusive access is unfair. At least it has brought them round, often for the first time, to see what else they might be missing, he says.

Celltech even hijacked an entire MRC unit, specialising in immuno-assay, a potential billion-dollar market for monoclonal antibodies. It persuaded Dr Bill Hunter, head of the unit, to become research manager of its new diagnostics division. Three more scientists followed, and the MRC was obliged to shut the unit.

They all went to Slough, where Celltech has acquired a cluster of 50-year-old factories on the trading estate. It's a far cry from early ideas that a research-based company must struggle closely to a high-powered research centre such as Cambridge.

But not only the site at Slough impresses its customers and backers, says Mr Fairclough. As a former MRC scientist, he recognised from the start that the company must develop productive manufacturing techniques for monoclonal antibodies, which were being made by the MRC using mice as "mini-reactors". Celltech taught itself how to make big batches in 100-litre bioreactors. A battery of 100-1000 bioreactors is just being installed. Now it is trying to develop a continuous method.

In contrast, Hybritech, one of its biggest U.S. rivals in monoclonal antibodies, which began to exploit the MRC invention in 1978—and has secured U.S. patents on some applications—reports that its production is still based on mice as mini-reactors. It is consuming 5,000-6,000 mice a month. Meanwhile, other U.S. companies are buying their monoclonal antibodies "in bulk" from Celltech, to their own speculation.

Mr David Gratton, manager of Celltech's newly formed diagnostics division, just back from a tour of the U.S. and Japan, says "it's clear that, scientifically, we are up with anyone in the U.S. and Japan." For Fairclough, the strong card is the company's access to academic talent through the "extraordinarily important" relationship with the MRC.

In practice it also does not work, because bureaucratic control is inefficient and in time becomes corrupt. A. H. Scott, 102, Beeches Road, Chelmsford, Essex.

that the cash will be forthcoming to support more new biotechnologies. One index of disagreement among the summit countries for the past 24 years. The Reagan Administration has taken an extreme position in almost totally rejecting any effort to influence exchange rate movements directly. In contrast, all the other summit countries have continued to intervene periodically.

They have felt that their efforts were hampered by the inaction of the U.S., however, and therefore sought to restore the co-operative approach to intervention which characterised earlier periods. The issue was discussed at the Versailles summit a year ago, and a working group was set up to study the issue. Its report (the Jurgensen report) was released on April 29.

An important achievement of the working group was to agree on the need to distinguish between sterilised and unsterilised intervention. Sterilised intervention means that the authorities offset the domestic monetary impact of their exchange market operations or other domestic policy tools, leaving the monetary base and (to a first approximation) money supply unchanged. Unsterilised intervention means that the authorities finance their purchases or sale of foreign currencies by issuing domestic money, thus expanding or contracting the monetary base and money supply.

In the past Anglo-Saxons have tended to assume that "intervention" meant sterilised intervention. The Continental Europeans and Japanese interpreted the word as meaning unsterilised intervention, and much confusion resulted from this key difference in concept.

Technically, the report concludes that even sterilised intervention could be an effective tool in influencing the short-run behaviour of the exchange rate. Intervention can be used to counter disorderly markets, e.g., where uncertainty has led to abnormally wide bid/ask spreads or where "bandwagon" effects are taking hold. Opinions will no doubt continue to differ as to just how necessary or useful intervention for these purposes may be, but its poten-

Malcolm Rutherford's Politics Today newspaper on Saturday during the general election campaign.

Exchange Rates

There is a role for intervention

By C. Fred Bergsten and John Williamson

DIRECT intervention in the exchange markets has been an important, if secondary, issue of disagreement among the summit countries for the past 24 years. The Reagan Administration has taken an extreme position in almost totally rejecting any effort to influence exchange rate movements directly. In contrast, all the other summit countries have continued to intervene periodically.

They have felt that their efforts were hampered by the inaction of the U.S., however, and therefore sought to restore the co-operative approach to intervention which characterised earlier periods. The issue was discussed at the Versailles summit a year ago, and a working group was set up to study the issue. Its report (the Jurgensen report) was released on April 29.

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tial effectiveness in this limited role has now been authoritatively endorsed. The report also agrees that unsterilised intervention is markedly more effective than sterilised intervention in influencing exchange rates, especially in the longer run. This conclusion is very much in line with the mounting evidence from academic sources and has strong economic logic behind it. The implication is that monetary policy must be permitted to support direct intervention if exchange rate effects are sought.

Over valuations continue to breed slumps in the internationally exposed sectors

The report has therefore done a good job of clearing up the technical issues. Unfortunately, the Ministerial statement that accompanied its release gives little hope that technical agreement will be translated into an agreed policy initiative.

The statement started off by repeating the official rhetoric about "orderly underlying economic and financial conditions [being] necessary to achieve stable exchange markets." This is unobjectionable if interpreted literally, but false if interpreted—as it is in the next sentence—of the Ministerial statement—to imply that convergence on "sustainable non-inflationary economic growth and high employment" is the key to exchange rate stability.

Growth, high employment and stable prices are devoutly to be desired, but for their own sakes and not as a means to exchange stability. In fact the only connection between convergence and exchange stability is that constant nominal exchange rates require convergent inflation rates.

But nominal exchange rates have not changed to neutralise differential inflation. Had they moved in that way, there would be little reason for dissatisfaction with floating. Neither is the short-run volatility of floating rates, against

which sterilised intervention is effective, a matter of major concern. Rather, the overwhelming inadequacy of the floating rate system is that exchange rates fly off to levels that leave competitiveness wildly inappropriate from a long run point of view. "Over valuation" and "under valuation" did not become obsolete concepts with the advent of floating. Over valuations continue to breed slumps in the internationally exposed sectors, de-industrialisation and protectionism. Under valuations continue to generate inflationary pressures. Either precludes satisfactory economic performance. Both have persisted for months and years.

The Jurgensen report's endorsement of the proposition that unsterilised—but not sterilised—intervention can be an effective tool in combating persistent misalignment of exchange rates implies that any serious attempt to remedy the major ill of floating would need to allow monetary conditions to vary with a view to influencing the exchange rate. This would, of course, be a major policy departure, since floating has long been attempted on the ground that it liberates monetary policy from the need to influence the exchange rate. But the question is whether the "liberation" of monetary policy to pursue monetary targets is worth the cost that such pursuit has entailed in generating misalignment.

In their statement, however, the Ministers "repudiate" that "stability"—rather than an appropriate level of the exchange rate—is their agreed objective. They then dangle the red herring of convergence as the main means of achieving greater stability. And they even manage to overlook the distinction between sterilised and unsterilised intervention that had been drawn with such care in the Jurgensen report.

That report laid a valuable basis for what should be a major debate about the future orientation of monetary policy. Unfortunately, the Ministers missed the opportunity to launch that debate.

Mr Bergsten is director of the Institute for International Economics, Washington, and Mr Williamson is a senior fellow there.

Letters to the Editor

UK motor industry—capacity for a bigger market

From the Chairman and Managing Director, Ford Motor Company

Sir—I must take issue with the article "New car demand boosts imports" by Kenneth Gooding on May 6 and set the record straight.

The article asserted that I have argued against stimulating the car market because "very little more production can be squeezed out of British car plants" and the result would simply be to suck in imports.

Far from supporting this view, I have frequently made it clear that the British motor industry does have a capacity to handle a bigger market—always providing we can raise production to match that capacity. This, indeed, was the argument which George Turnbull and I put to the Chancellor when we saw him last year. At Ford we are working

assiduously at the task of increasing supplies from our British plants. Fiesta production in Dagenham has been doubled in the past two months while our Sierra requirements are being met predominantly from the same plant—including from this month onwards, the Ghia models. It is true that we had a major setback at Halewood earlier this year, but we have now resumed the progress that encouraged us some months ago to expand our range supplied from that plant.

As a result of all these efforts our import sourcing has now been reduced from a level of almost 50 per cent last year to 43 per cent of total requirements this year. In fact our re-sourcing plans during 1983 will, assuming we meet our production schedules, result in a steadily declining imported share, reaching 30 per cent in the final quarter. Because there

is a pipeline effect it will, of course, take a little longer than that to show fully in the car registration statistics.

What this demonstrates, however, is that we are capable of taking our full share of the car market, as in the case of the market this year to 1.7m and beyond while actually reducing imports into the bargain—as long as we can maintain the efficiency improvement now begun.

One point which I have made in the past, and which I stand by, is that progress of this kind can only be built on solid foundations. Expansion in the car market, as in the economy as a whole, will not be served by opening the floodgates. Rising inflation could only lead to a further downturn just when we have begun to see a more encouraging outlook. Sam Toy, Brentwood, Essex.

Bargaining unions

From Mr A. Scott

Sir—The electorate knows that the Labour Party cannot make extreme Socialism in this country. To operate it, a government must control the economy, and to do that it must have absolute control over pay. That is why bargaining unions are anathema in Communist countries.

How can a political party which is supported and financed by bargaining trade unions who want nothing to do with wage control expect to work Socialism, even in theory? In practice it also does not work, because bureaucratic control is inefficient and in time becomes corrupt. A. H. Scott, 102, Beeches Road, Chelmsford, Essex.

Further letters Page 12

Transport fares in London

From the Opposition Spokesman on Industry and Employment, Greater London Council

Sir—The proposed London Transport fares cuts to be introduced on May 22 have a price. The additional weekly cost of the new fares scheme will be £8.31 for the average office ratepayer and £8.89 for the average factory ratepayer.

But this is not all. There will be a further burden because the Labour GLC proposes to ignore the Government's subsidy guidelines issued under the Transport Act 1983. These would permit GLC to support London Transport to the tune of £125m in the financial year 1983-84. The cost of the May 22 changes, however, will be £235m. Therefore, there is a balance to be funded by the ratepayer of £110m. This means an extra £11.30 per week for the average office ratepayer and an extra £8 per week for the average factory ratepayer.

Added together the two figures, the average office ratepayer will be paying an extra £19.60 per week and the average factory ratepayer £18.89 per week. The effect on employment in the capital of this additional rate burden on industry and commerce would be only too easy to predict. It will lead to a further exodus of employment opportunities from Greater London following the example set by, among others, the National Union of Mineworkers (Council) Bryan Cassidy, Members' Lobby, County Hall, SE1.

district heating schemes. In the first place there are many more district heating schemes than that to show fully in the car registration statistics.

Secondly, we have never applied prices which discriminated against such schemes. Indeed, our consistent policy has been to price gas on an equivalent basis to that which would have been paid by individual domestic customers using gas for heating or in the case of larger schemes at prices lower than the equivalent price in the domestic market. Such policies continue to be in force.

District heating schemes using up to 25,000 therms per annum are charged for gas on the same tariff as domestic households, and by virtue of their higher consumption do in fact pay a lower average price per therm consumed. The larger schemes are charged on the basis of individually negotiated contracts and the prices are appreciably lower than the published tariff. W. R. Probert, Roversall House, 155, Grosvenor Road, SW1.

Reading the runes

From Mr C. Turner
Sir—When studying the accounts of BAT and Unilever for the year ended December 31, 1982, I notice that International Stores is called a 100 per cent subsidiary by BAT and a 25 per cent trade investment by Unilever. Am I missing something, or have the auditors, who were remunerated a combined £8.7m, dropped a clanger? C. C. Turner, 4, Billing Place, SW10.

processes more wasteful than the generation of electricity. I can only hope that as an admittedly difficult subject of combined heat and power this statement was intended to be treated as hyperbole.

Like the energy correspondent is like the rest of us, he is so worried about the thermal efficiency of power stations when he uses electrical appliances that he is about the thermal efficiency of his motor-car engine when driving. If efficiency is his criterion, then his car should cause him several times more concern than his electricity supply.

Like users generally, he is at least implicitly aware of the overall cost to himself of using a kWh or driving for a mile. Because in each case he is quite free to choose, he is clearly assessing that the benefits of using a unit of electricity at least equal 5p (or 5p at night on Economy 7) just as the advantages of private motoring at least equal 10p a mile. Thermal efficiencies are not something of a red herring. The Electricity Council, 50 Millbank, SW1.

District heating and gas prices

From the Managing Director, Marketham, British Gas Corporation

Sir—Having read the Energy Review of April 28 "How heating might cost 10 per cent less," I believe there to be some real misunderstanding as to the pricing policy adopted by British Gas in relation to

Technological strides

From the Joint Managing Director, Mainsnet

Sir—Mr J. Diamond (May 7) on the subject of district heating refers to the need for "a close investigation into the scheme." The schemes referred to have both been functioning for many years, and indeed the one at Pimlico has recently been refurbished following the end of the Battersea power station's useful life. Surely a significant sign of confidence and consumer acceptance for district heating.

Mr Diamond also makes no mention of the huge technological strides that have been taken in recent years, or more significantly, months, in developing equipment which enables district heating (with or without CHP) to be operated identically to alternative individual systems. With these new developments it should be clear that all users (commercial and domestic) will be anxious to take up heat and power at 10 per cent less cost than the cheapest alternative. G. C. Towler, 1-3, Station Road, Cullingworth, Bradford, West Yorkshire.

Thermal efficiency of power stations

From the Deputy Commercial Adviser, Electricity Council

Sir—In his Energy Review of April 28, Richard Johns began with the somewhat extravagant claim that "there can be few, if any, technological

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U.S. WEAPONS 'UNDER JOINT CONTROL'

Thatcher pledge on cruise

BY OUR POLITICAL STAFF

MRS MARGARET THATCHER, the UK Prime Minister, said yesterday that there would be joint control with the U.S. over cruise missiles, due to be stationed in Britain later this year.

In an attempt to reduce the controversy caused by the issue, she told the House of Commons that none could be launched from British territory without the agreement of the British Prime Minister.

Mrs Thatcher told MPs that the existing understanding between the UK and the U.S. Governments over the stationing of nuclear weapons in Britain had been jointly reviewed.

"We are satisfied that they are effective. The arrangements will apply to U.S. cruise missiles based in the UK, whether on or off base," she said.

Mrs Thatcher added: "The effect of the understanding and the arrangements for implementing them

is that no nuclear weapon would be fired or launched from British territory without the agreement of the British PM."

The UK Parliament will meet for the last time today before the general election on June 9. Last night, Mrs Thatcher warned Conservative Members of Parliament not to be complacent. She said that Labour (the main Opposition party) would produce a scare a day and that opinion polls did not win elections, but work did.

The latest opinion poll, taken on May 11/12 by Harris for the TV Eye programme, gives the Conservatives a 21 per cent lead over Labour, with the Alliance of Social Democratic and Liberal Parties trailing in third place. The Alliance yesterday became the first main party to publish its manifesto for the election.

In its programme, the Alliance calls for increased public investment to reduce unemployment by 1m

over two years, an agreed pay and prices policy, and compulsory secret ballots for the election of trade union officers and before an official strike.

A strong supporter of the EEC, the Alliance calls for Britain to become a full member of the European Monetary System. "Membership (of the EEC) has increased our political influence with our European neighbours and in the world beyond," it says. It advocates further development of the community and new common policies.

On defence, the Alliance says it strongly backs multilateral disarmament. The Trident missile programme should be cancelled and Polaris should be included in the Geneva arms talks "as a further contribution to the prospects of multilateral disarmament."

The manifesto was strongly attacked yesterday by Mr Cecil Par-

kinson, the chairman of the Conservative Party. He described the programme as "watered-down socialism from a bunch of milk-and-water-socialists."

Mr Denis Healey, the deputy Labour leader, claimed yesterday that Mrs Thatcher's economic policy had already begun to fail apart.

"The Stock Exchange has collapsed, sterling is falling and the Bank of England has just revealed that for the last three months the money supply has been growing twice as fast as the Government planned," he said.

"The Chancellor has had to admit that he borrowed £2bn more in the last financial year than he told us at budget time. He will do the same this year, too. So much for sound money under the Tories," Mr Healey said.

Election roundup, Page 6; Editorial comment, Page 16

New North Sea fields face delay as royalty Bill dies

By Roy Dafter in London

BRITAIN'S general election has robbed North Sea oil companies of a major tax concession designed to speed up the development of new fields.

The Conservative Government ran out of time in its bid to push through a Bill which has abolished royalties - equivalent to 12.5 per cent of production - on newly developed fields. Offshore operations warn that could be a delay in the exploitation of fields which were about to be declared commercial.

The Government, concerned at the way UK offshore oil developments were being delayed, introduced wide-ranging tax concessions in its March budget to improve the investment climate.

Most of these concessions, including extra allowances against petroleum revenue tax, are to be implemented immediately under the Finance Act. But the scrapping of royalty - for many offshore operators, the most important relief being offered - required the passing of a separate Bill. This piece of legislation, the Petroleum Royalties (Relief) Bill, has been dropped.

Oil companies are confident that the legislation will be reintroduced early in the next session of Parliament, irrespective of the outcome of the election. But it is likely that some will delay submitting formal development plans before they are sure.

Mr Nigel Lawson, Energy Secretary, told the House of Commons earlier this week that over the next two years development plans were likely to be submitted on average once every six weeks. The estimate is based on Energy Department information that at least 11 projects are being closely studied by North Sea companies. These projects could involve investments of more than £5bn (£7.75bn).

Meanwhile, oil companies and industry analysts remain puzzled by Mr Lawson's repeated assertion that UK oil production this year will be no higher than last year's average of 2.1m b/d.

The estimate has been given to members of the Organisation of Petroleum Exporting Countries to underline Mr Lawson's view that stability has returned to the international oil market.

Government figures show that North Sea production in the first quarter averaged 2.25m b/d. Oil companies point out that the start-up of new fields like Magnus and North West Hutton later this year will more than offset any decline in production from mature fields.

Stockbrokers also forecast an increase in production, to 2.3m b/d according to Wood, Mackenzie and to 2.2m b/d according to Hoare Govett.

But the Energy Department maintains that production this year should be around 1.9m b/d and 2.1m b/d. It warns that weather and production problems can put a brake on output.

IMF 'well suited' for new role

By Reginald Dale, U.S. Editor, in Washington

THE International Monetary Fund (IMF) would be the "perfect institution" to pursue proposals for dismantling obstacles to international trade and fighting protectionism, Washington officials said yesterday.

The officials were responding to Wednesday's call by a meeting of a group of eight leading industrial countries in Paris for the IMF to play a greater role in promoting free-trade policies through its contacts with member countries.

The expectation in Washington is that the IMF would be only too willing to follow up the Paris meeting's suggestions, which are totally consistent with its charter.

The IMF would be ready to do anything its member governments asked that did not go against the charter, officials said. They pointed out that Article 1 of the charter establishes that one of the IMF's purposes is to "facilitate the expansion and balanced growth of international trade" so as to maintain high levels of employment.

In recent programmes for borrowing countries such as Argentina, Mexico and India, the IMF has already started providing for increased import levels, but it has not limited its efforts to developing country borrowers. The IMF has also been working to promote more free trade in its annual economic consultations with all member countries, including the major industrialised nations, under Article 4 of the charter.

THE LEX COLUMN

Cash and carry for Sweden

Alfa-Laval's £23m share placing in the London market yesterday is only one of several overseas issues now being launched by Swedish companies. It comes only a day after a \$250m American Depository Receipt offering by L. M. Ericsson in the U.S., and precedes plans for a further two Wall Street issues from Gambo, a blood therapy company, and Norsk Data. These together may raise about \$80m; and back in London, Volvo is said to be joining the queue.

Wall Street's present appetite for any offerings with a flavour of advanced technology makes it an obvious target for many of these Swedish companies. Despite the attractions of raising equity at the dizzy levels of current Stockholm share prices - the index has risen by 86 per cent since the beginning of January - the local market has limited capacity. Moreover, the capital seekers are all international by nature - they are either growing faster than home markets, or they are well established in foreign markets (almost 90 per cent of Alfa-Laval's sales are outside Sweden) and are looking for equity to balance their foreign borrowings: the krona's 25 per cent devaluation over the last two years may have done wonders for profits, but it has correspondingly blasted foreign debt.

Foreign investors have become equally important in equity-raising in the Stockholm market. From being net sellers in 1980, foreigners have steadily increased their buying of Swedish shares to SKr 1.3bn last year, lifting liquidity to a point that has helped fuel the runaway rise in share prices.

Liquidity has also been boosted by the accelerating flow of funds into unit trusts following tax concessions two years ago. Given this increase, and reasonably strong institutional cash flow, funds available for investment probably exceeded new issues by around SKr 1bn last year. This situation, however, could now be turning. Planned new issues in Sweden are calculated at about twice last year's level of SKr 3bn, or about SKr 3bn more than the domestic market can generate from local sources. That adds up to a big demand for foreign funds - or a number of disappointed offerors.

Government figures show that North Sea production in the first quarter averaged 2.25m b/d. Oil companies point out that the start-up of new fields like Magnus and North West Hutton later this year will more than offset any decline in production from mature fields.

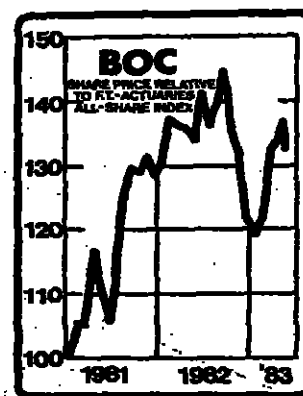
Stockbrokers also forecast an increase in production, to 2.3m b/d according to Wood, Mackenzie and to 2.2m b/d according to Hoare Govett.

But the Energy Department maintains that production this year should be around 1.9m b/d and 2.1m b/d. It warns that weather and production problems can put a brake on output.

The expectation in Washington is that the IMF would be only too willing to follow up the Paris meeting's suggestions, which are totally consistent with its charter.

The IMF would be ready to do anything its member governments asked that did not go against the charter, officials said. They pointed out that Article 1 of the charter establishes that one of the IMF's purposes is to "facilitate the expansion and balanced growth of international trade" so as to maintain high levels of employment.

In recent programmes for borrowing countries such as Argentina, Mexico and India, the IMF has already started providing for increased import levels, but it has not limited its efforts to developing country borrowers. The IMF has also been working to promote more free trade in its annual economic consultations with all member countries, including the major industrialised nations, under Article 4 of the charter.



poultry and butchers' shops disposed of and prospectively a highly liquid balance sheet, the shares can probably hold their own at this level.

BOC Group

Hearsay evidence is still the only indication of economic recovery to have come the BOC Group's way. Lower inflation rates in most of its major markets have deprived the group of stock profits worth £10m in the first half of 1983, leaving pre-tax profits at the interim stage down by almost exactly that amount to £36.1m.

A principal feature of the flat performance at the operating level has been another appreciable downturn in BOC's metal welding businesses across the world. The health care division continues to do well in volume and margin terms and the U.S. graphic business has turned in a profitable second quarter after six months of losses. These gains, however, look unlikely to compensate fully for the welding losses over the full year - especially given a second quarter deterioration in both South Africa and Australia - and against a stable but unexciting background for industrial gases BOC is heading for full year pre-tax profits some way short of £102.6m.

Such doldrum conditions have given BOC's management a chance to show its mettle. A new management structure has been designed to dilute the present geographical organisation of the group in favour of more emphasis on product divisions. The tone of the balance sheet has been improved with three bond issues in the last six months raising £210m to refund short-term borrowings: over £500m of BOC's present £721m total debt now carries long term maturities at fixed rates. Above all, the group is pushing through with its heavy capital investment programme. Another £30m borrowed in the second quarter has lifted net debt to 61 per cent of equity and a further small rise can be anticipated in the second half.

Behind the spending programme and the heavy gearing there is still a strong cash flow, with BOC's replacement cost depreciation rising from £80.5m to £78.1m. Adjusting prospective pre-tax profits of £100m on to a fully taxed historic cost basis, the shares remain on a multiple around 18 at 200p and offer a yield of 4.3 per cent.

Linford/Fitch
The Monopolies Commission report on Linford's bid for Fitch Lo-

Manville may offer reorganisation deal

BY RICHARD LAMBERT IN NEW YORK

MANVILLE CORPORATION, of which U.S. plans to put forward a reorganisation plan to its creditors in the near future, unless it can secure a negotiated deal that would settle the outstanding asbestos-health claims against the company for a fixed sum.

Manville, the world's biggest producer of asbestos products, filed for protection under Chapter 11 of the Federal bankruptcy code last August. It said it had been overwhelmed by the cost of the asbestos-health lawsuits being filed against it.

The company said yesterday that it was still trying to secure a negotiated deal over the health claims,

which would include an arbitration procedure for asbestos-related health conditions that manifest themselves in the future. Under such a plan, lenders and trade creditors would also be paid out over a fixed period.

But whether an agreement could be reached was uncertain, the company added. If negotiations failed, it would propose a reorganisation plan to its creditors, including asbestos-health claimants.

These claimants would be asked to vote on whether their claims should be resolved through a special "no fault" compensation system or through a settlement process ad-

ministrated through the bankruptcy court.

Manville said the "no fault" system would base compensation on the extent of the claimant's disability, and would "avoid the heavy expenses and long delays involved in the litigation process."

Litigation costs and court delays would be reduced under either alternative, the company added.

In any event, Manville plans to transfer its non-asbestos businesses to a newly formed company. As a result, asbestos-related claims could only be made against the old Manville companies and would be covered out of existing insurance and a portion of the cash generated

by the future operations of the "new" Manville.

Voting stock in the new company would be owned by present Manville shareholders and by providers of new equity capital, if any. The new company would assume all Manville's commercial liabilities.

The company gave no details of the likely level of payments to claimants and commercial creditors under its scheme. It said only that the "new" Manville balance sheet would have to be strong enough for it to survive and grow, and to meet its obligations to existing Manville companies.

Its proposals are likely to be attacked by lawyers

Trans World fights off Odyssey challenge

BY WILLIAM HALL IN NEW YORK

TRANS WORLD CORPORATION, of the U.S. airline and hotel concern, claimed victory yesterday in its battle with a dissident shareholder group that wants to split up the company.

Trans World announced yesterday that a proposal by Odyssey partners, calling for the break-up of Trans World, was supported by less than 25 per cent of the 21.99m shares eligible to be cast at the company's annual meeting, held in Kansas City on April 27.

The meeting was adjourned until yesterday pending the report of the election's inspectors.

Odyssey, an investment group,

said, however, that 5.4m votes had been cast in favour of its proposal and that that constituted 32 per cent of the 20.2m shares voted for and against the proposal. There were 1.49m abstentions.

Leon Levy, a partner in Odyssey, said that the number of votes supporting their proposal "constitutes a clear message to Trans World's board of directors that a separation programme be studied and implemented."

Odyssey, which only owns 1 per cent of Trans World common stock, said that management, as always, had a substantial advantage be-

cause of its ability to use the corporate proxy machinery and to influence certain stockholders with business and other connections with the company.

Mr Levy said he was optimistic that Trans World's board would not ignore the views of so many of its stockholders. The Odyssey proposal called on Trans World to study and implement a plan to separate its various businesses. These include TWA, Hilton International, Spartan Food Systems, Century 21 real estate and Canteen Corporation by spinning them off to shareholders or selling them.

The proposal called for a report to

stockholders by a committee of outside directors by the end of August. Mr Edwin Smart, Trans World's chairman and chief executive, said that the results of the vote showed that there was "little meaningful support for this kind of proposal."

Mr Smart said that the Odyssey proposal was based on the argument that even such healthy and successful companies as Trans World could be worth more broken up.

"These break-up schemes are geared entirely toward reaping an assumed short-term gain and ultimately can be quite damaging to business,"

Sovereign loans on discount

By Alan Friedman in London

AN UNUSUAL secondary market in syndicated loans to Latin American governments has been started by Eurinam International, a fledgling New York-based finance house.

Mr Martin Schubert, chairman of Eurinam and formerly of Rosenthal International, the U.S. commodity broking and banking house, said yesterday his company had acted as an intermediary for more than \$15m of discounted syndicated loans since March.

"We are making a two-way market in discounting restructured syndicated loans. The market price is based upon each country and what the traffic will bear."

Mr Schubert said the buyers of such discount loans include multinational companies, private investors and a few banks. The sellers were small U.S. regional banks and some European banks.

The discounted paper included Brazilian and Venezuelan loan paper, and the discounts ranged between 5 and 12 1/2 per cent of face value.

"The bigger banks are reluctant to sell because they don't want to take write-offs," Mr Schubert said.

Two killed in Chile miners' protest

BY MARY HELEN SPOONER IN SANTIAGO

AT LEAST two people were killed and 200 arrested during Chile's first nationwide anti-government protest since General Augusto Pinochet's military regime took power nearly 10 years ago.

The protest was organised by the copper miners' confederation, which had withdrawn an earlier call for a national strike to protest against the regime's economic and social policies.

The confederation, which is made up of 22,000 copper workers at the state copper corporation's four mining centres, called for a boycott of public transport and urged Chileans to refrain from shopping and to

keep their children away from school. It also urged workers to boycott the company lunchrooms and to work slowly.

Sr Rodolfo Seguel, confederation President, claimed that on Tuesday his organisation's telephone lines had been cut, effectively hampering communications between its officers in Santiago and workers at the mining centres of Chuquibambilla, El Salvador, Andina and El Teniente. Nevertheless, he maintained that the miners' protest had been carried out as planned.

In Santiago, private and government schools reported a continued boycott of around 70 per cent. Traf-

fic in the capital was about a third of the normal level, although most shops and businesses remained open.

During the evening, residents of working-class areas held "empty pot" protests, similar to the demonstrations held by upper and middle-class housewives during the socialist government of President Salvador Allende between 1970 and 1973. The protesters banged empty pots and pans together to signal their complaints against the high cost of living.

Government officials maintained that the protest had failed and that industrial production continued normally throughout the country.

Woolworth recovers to \$1m profit

BY WILLIAM HALL IN NEW YORK

F. W. WOOLWORTH continued its recovery in the first quarter of 1983. The U.S. retailer reported net income from continuing operations of \$1m, compared with a loss of \$5m last year when earnings were cushioned by a \$5m after-tax gain from the repurchase of debentures for the group's sinking fund.

Mr John Lynn, Woolworth's chairman and chief executive, said the results were a significant improvement over the first quarter of

1982 and a continuation of gains in the final quarter last year. First-quarter sales rose 4.7 per cent to \$1.1bn and foreign sales rose for the first time in a year.

Domestic operating income rose from \$12m to \$17m. Foreign operating income was \$6m against a \$3m loss last year.

Woolworth and Kinney in the U.S., Woolworth in Canada and West Germany and Kinney's Australian operations all achieved increased operating income.

The group's first-quarter performance was helped by a 27 per cent fall in interest charges to \$19m. The company says short-term debts at the end of the first quarter had been reduced by \$355m to \$161m. Total debts including obligations under capital leases, were cut by \$402m to \$702m.

Woolworth has been able to cut debts after discontinuation of the U.S. Woolco operations and the sale of the British subsidiary last year.

World Weather

Locality	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Amsterdam	10	10	10	10	10	10	10	10	10
Bombay	25	10	10	25	10	10	25	10	10
Buenos Aires	15	10	10	15	10	10	15	10	10
Calcutta	25	10	10	25	10	10	25	10	10
Canton	25	10	10	25	10	10	25	10	10
Cebu	25	10	10	25	10	10	25	10	10
Colon	25	10	10	25	10	10	25	10	10
Hankow	25	10	10	25	10	10	25	10	10
Hong Kong	25	10	10	25	10	10	25	10	10
Kobe	15	10	10	15	10	10	15	10	10
London	10	10	10	10	10	10	10	10	10
Lyons	10	10	10	10	10	10	10	10	10
Manila	25	10	10	25	10	10	25	10	10
Medan	25	10	10	25	10	10	25	10	10
Osaka	15	10	10	15	10	10	15	10	10
Paris	10	10	10	10	10	10	10	10	10
Perth	15	10	10	15	10	10	15	10	10
Rangoon	25	10	10	25	10	10	25	10	10
San Francisco	15	10	10	15	10	10	15	10	10
Singapore	25	10	10	25	10	10	25	10	10
Sourabaya	25	10	10	25	10	10	25	10	10
Tokyo	15	10	10	15	10	10	15	10	10
Yokohama	15	10	10	15	10	10	15	10	10

Setback for U.S. budget

Continued from Page 1

while the moderates want an increase of around \$14bn, against the \$30bn or so sought by the Democrats.

The prospect loomed that the Senate might have to give up the attempt to reach agreement, with the result that Congress would have no budgetary resolution, setting standing guidelines in the fiscal year starting on October 1.

Mr Reagan has made clear that he would prefer to do without such a resolution, if it provided for too much in new taxes and too little in defence spending.

He added yesterday that he would not consider himself bound by such a resolution, which is technically only an internal Congressional document.

The White House believes that it might well do better to return to more traditional appropriations procedures, under which Mr Reagan could veto or sign individual spending Bills as he wishes.

While his view is shared by some leading Republicans on Capitol Hill, others want a resolution adopted, even if it is less than perfect, so as to ensure that Congress maintains some control over the budgetary process.

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Friday May 13 1983

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American Can lifts profits 59% after assets reshuffle

BY OUR NEW YORK STAFF

AMERICAN Can, the diversified U.S. packaging group which made a net loss of \$133m in 1982, has reported a sharp turnaround in its profits in the first quarter, with net income rising 59 per cent to \$21.8m.

Mr William Woodside, American Can's chairman and chief executive, says the company has successfully redeployed a major portion of its assets into more profitable businesses and is beginning to see the early benefits. Last July the group sold most of its U.S. paper making operations to James River for \$423m in cash and stocks.

The 1983 first-quarter net income has been boosted by an after-tax gain of \$8m associated with the issue of more common stock by James River. This boosted Ameri-

can Can's earnings per share by 32 cents to a total of 88 cents. This compares with 71 cents a year ago.

The company says first-quarter earnings of its financial services divisions exceeded those of the Dixie Northern paper making operations which were sold to James River. The specialty retailing operations turned in a mixed performance and worldwide packaging income was unchanged on last year.

The company says that in its new shape it should substantially improve its results over the long term. The company is expecting an earnings rebound in its packaging and home entertainment businesses and is forecasting "significantly improved" operating earnings for 1983.

United Brands hit by restructuring charges

BY WILLIAM HALL IN NEW YORK

UNITED BRANDS, the world's largest importer of bananas, will make a special charge against its earnings of \$100m and is forecasting a substantial net loss for the nine months ended March 31 because of a restructuring of its banana operations.

The restructuring of the operations, located in the group's United Fruit subsidiary, is to bring the company's supplies more into line with demand for its product in selected markets.

The company plans to reduce banana production in certain locations and long-term contractual commitments to purchase bananas, and to realign transport and distribution activities.

United Brands, which reported a net loss of \$37.3m on sales of \$1.6m in the first half, has blamed its financial difficulties on losses in its banana operations.

It said in February that these losses were caused by depressed selling prices of bananas in all major markets, which resulted from an industry oversupply of bananas in conjunction with a worldwide recession.

The strength of the dollar had also affected its earnings. The company expects to report a substantial loss in its third quarter to March 31. Payment of regular quarterly dividends due on June on its \$1.20 cumulative convertible preference stock will not be paid for the time being.

Scherings in U.S. battle of names

By Leslie Collett in Berlin

THE LEGAL bid by Schering-Plough, the U.S. pharmaceutical group, to prohibit Schering AG of West Berlin from using its name in the U.S. is expected to be ruled on shortly by a court in New Jersey.

The roots of the case reach back to 1942 when the U.S. seized the American assets of Schering as enemy property. They were subsequently transferred to the Schering Corporation, legal successor to the German-owned subsidiary. The German Bayer Company similarly had its assets seized in the U.S. and an American Bayer, a leading producer of aspirin, was set up.

When Schering AG of West Germany cautiously re-entered the U.S. market after the Second World War, it was barred from using the parent company name on its products. Similarly, Schering AG subsidiaries established in recent years in the U.S. bear names such as Berlex Laboratories, Nor-AM Agricultural Products, Scherex Chemical and Nepera Chemical.

Representatives of the U.S. subsidiaries of Schering carried business cards with their American company name, and the fact that it is a subsidiary of Schering in Germany.

Schering-Plough regarded this as a violation of previous U.S. court rulings in the case. The U.S. group also objected to the labelling of Schering AG exports to the U.S. with the Berlin company's name. Schering AG says this is required under U.S. law.

Both Scherings are international companies and their names on pharmaceutical products sometimes confuse buyers in other countries. The Schering group based in West Berlin had sales last year of DM 3.5bn (\$1.37bn) while Schering-Plough had sales of \$1.82bn.

Kaiser Steel turns down Jacobs bid

By Our Financial Staff

KAISER STEEL, the ninth largest U.S. steelmaker, has rejected a takeover proposal worth at least \$285m from a Wall Street investment group led by Mr Irvin Jacobs.

The California-based company said the offer was inadequate, and excessively exposed shareholders to Kaiser's future risks while excluding them from participation in future growth.

But Kaiser would continue to negotiate with the Jacobs group and other potential purchasers.

The three-part cash and stock offer from the Jacobs group had been widely expected since it raised its stake in the steelmaker to 16.3 per cent in February.

COURT BATTLE LOOMS OVER FLAGSHIP BANKS TAKEOVER

Entrepreneurs focus on Florida banks

BY WILLIAM HALL IN NEW YORK

FLAGSHIP Banks, Florida's fourth biggest banking group, has a problem. The problem is Sr Juan Perez, a 39-year-old Venezuelan who, with associates, owns 9.9 per cent of Flagship and has an option to buy another 11.7 per cent.

Sr Perez has an eye for a good investment, and for the last year or so has been building up his stake in Flagship, despite the bank's efforts to stop him. Last week, the simmering dispute came to the boil.

Flagship announced an offering of 1m common stock. Sr Perez promptly announced that he would buy the entire 1m shares, for not less than \$30 each at a time when the stock was trading at \$24.75. Flagship noted that Sr Perez had made no specific offer and said its board would think about it.

Their thoughts were disturbed a couple of days later when Sun Bank, Florida's third biggest banking group, popped in a bid worth \$35 per share for Flagship. Flagship turned down the offer because it

FLORIDA'S LEADING BANKING GROUPS					
	Assets \$m	First quarter Net income \$m	Growth %	Assets %	Return on Equity %
Southeast Banking Corp.	6.2	13.8	82	0.72	12.64
Bank of America	4.0	17.9	113	0.88	17.58
Sun Bank	3.2	11.4	98	0.51	15.1
Flagship Bank	3.2	6.8	10	0.84	13.25
Florida National	3.2	6.9	81	0.85	10.86

* Before extraordinary items

was "not in the best interests of all shareholders."

This was too much for Sr Perez and his company, Inverstone Credit. He instructed his lawyers to sue Flagship Banks, each of its directors and its investment bankers, Lehman Brothers, for a "gross breach of their fiduciary duty to all of the shareholders of Flagship by failing to accept the proposal made by Sun Bank." The lawsuit will seek actual and punitive damages.

As Sr Perez's lawyer was quick to point out last week, Flagship management was eager to sell 1m

shares for \$34 a share yet this week it seemed a \$35 per share offer was unacceptable. "They would give away 12 per cent of their stock but they won't sell 100 per cent at an attractive price," he said.

Observers of the free-wheeling Florida banking market reckon Flagship has been manoeuvred into a corner and will eventually end up being taken over. The only question is the price.

Sr Perez is just the latest in a string of entrepreneurs who have come to haunt the fast-growing and profitable Florida banks.

Last year another Venezuelan, Sr C. A. Cayendes, built up a sizeable stake in Florida National Banks despite the latter's efforts to stop him. His manoeuvres were so successful that he forced Florida National to scrap plans to merge with Alliance Corporation and then agreed to sell his shares to Southeast Banking Corporation, Florida's biggest banking group, which launched a full bid for Florida National.

Florida National only escaped the clutches of its larger rival by agreeing to merge with Chemical Bank of New York when interstate banking permits. The Venezuelans are generally reckoned to have made close to \$80m on this deal.

Even Southeast Banking Corporation, the market leader, has had its fair share of shareholder problems. Dr Lee Pearce, a Miami doctor, turned his attention to Southeast earlier this year. Although he owns only 8.8 per cent of Southeast, Dr Pearce was able to force the bank to reduce the size of a planned

increase in authorised share capital and also got the bank to reimburse him for the \$135,000 costs of the proxy battle he waged against it. Dr Pearce's basic argument was that the increase in authorised share capital would discourage major out-of-state banks from making a bid for Southeast. He suggested it was a ploy by management to preserve its independence.

Dr Pearce, like several other wealthy investors in Florida's banks, is working on the assumption that they are up for grabs. Florida is one of the most, if not the most, attractive banking market in the U.S.

It is one of the fastest-growing states, it has escaped most of the recession, and it is also a plum area for attracting deposits. In addition, its banking system is at present fragmented.

Many observers believe Florida will be one of the first states to embrace interstate banking when this is eventually permitted.

Spain sets new \$600m target for syndicated borrowing

BY DAVID WHITE AND NICHOLAS COLCHESTER

SPAIN'S planned syndicated borrowing - its first major operation since the Socialists took power last year - has been raised to \$600m from the \$500m originally foreseen.

The Finance Ministry announced yesterday that Chase Manhattan and Morgan Guaranty Trust, had been awarded the mandate for the floating rate issue.

The Government hopes to bring in a wide range of international banks, with Spanish banks taking a small participation to start.

The loan is broken into a five-year and an eight-year tranche, each of \$300m.

Interest is either on the basis of Libor (for the first tranche a spread of 1/4 point for the first two years and five eighths thereafter, for the second five eighths spread throughout) or the U.S. prime rate, with a 0.2 per cent spread for the five-year tranche, and 0.25 per cent for the eight years with a cap of 125 points.

The ministry said the kingdom, which has already raised \$240m this year, was expected to borrow a further \$300m in the last quarter in the Japanese yen, West German and Bulldog sterling markets.

This would bring total borrowing to about \$1.1bn for the year, compared with \$963m in 1982.

The ministry estimates total borrowing need this year at \$4.5bn with the public sector, including Spain itself, accounting for \$2.3bn.

However, the governor of the central bank, Sr Jose Ramon Alvarez Renedes, put the total Spain might borrow abroad at \$5bn to \$5.5bn.

This should lead to a net increase in Spanish foreign debt, after allowing for maturing loans, of \$1.5bn; just boosting the overall figure to \$30.3bn by the end of the year.

This borrowing plan is based on an expected current account deficit of between \$2.5bn and \$2.8bn compared with \$4bn in 1982.

The relatively high figure last year, coupled with a small net inflow on capital accounts, meant that Spain had to draw on \$3.1bn of currency reserves last year, reducing total reserves (including gold) to \$11.53bn at year end.

This year the central bank governor hopes to limit the further reduction of its currency reserves to \$1bn.

The more optimistic prognosis for the current account in 1983 is backed by the IMF, which has forecast a deficit of only \$2.24bn. In the first quarter of 1983, however, the deficit was \$200m greater than in the same period last year.

The central bank's hopes are based on lower oil import costs, lower interest costs and increased Spanish exports on the back of some international economic recovery.

Apart from Spain, INI, the state industrial holding company, is expected to be seeking about \$1bn.

Italian bank is buoyant despite reduced profits

BY JAMES BUXTON IN ROME

THE HIGHLY profitable Italian bank, Banca Cattolica Del Veneto, has announced reduced profits for 1982. But the figures still suggest that the bank is one of the most lucrative in the country.

The bank, based at Vicenza in the Veneto region, made net profits of L74bn (\$34m), and gross profits of L74bn of which L24bn was directed to the risk fund. In 1981, net profits of L71bn were reported.

Total deposits at the end of 1982 were L4,250bn, an increase of 10 per

cent compared with 1981. Shareholders in the bank, which does not have a full quotation on the stock exchange, are to receive an unchanged dividend of L360 per share.

The bank is 45 per cent owned by La Centrale, the financial holding company controlled by Nuovo Banco Ambrosiano.

The other bank controlled by La Centrale, Credito Varesino, is also expected to produce satisfactory results, with deposits up 13 to 14 per cent to L2,300bn.

Benetton lifts sales by 29%

BY OUR ROME CORRESPONDENT

BENETTON, the Italian jeans and casual clothes producer, which has risen in only a few years to become one of Italy's largest clothing manufacturers, last year increased sales by 29 per cent and made a net profit of L27bn (\$18.6m).

Sales totalled L414bn, of which some 45 per cent was achieved out-

side Italy. The growth rate compares favourably with the Italian inflation rate last year of 16 per cent. The proportion of export sales in 1981 was 36 per cent of L321bn.

The company, based at Treviso, north of Venice, had sales of only L60bn in 1978, of which only 2 per cent was abroad.



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FIRST HALF YEAR 1982-83

Shareholders' funds increased

Profitability displays continuing improvement

A meeting of the Board of Directors of the Banque Bruxelles Lambert was held on 11th May 1983.

The Directors were pleased to record the unqualified success of the capital increase last March which involved an aggregate amount of BF 2,376.7 million and brought BBL's published capital and reserves to a total of BF 14,362.9 million (unconsolidated figures).

They likewise approved the Executive Committee's decision to float a public issue in the form of a US\$ 100 million 12-year subordinated floating rate loan.

Allowing for the repayment of a US\$ 25 million private loan, total subordinated loans amounted to BF 11,292 million (translated as at 31st March 1983 exchange rates).

Throughout the first six months to 31st March the Bank pursued its activities against a background dominated by:

— frequent upheavals in the foreign exchange markets during early 1983;
— widespread easing of interest rates and in particular short-term rates;
— unusually low demand for credit from the corporate sector in the face of a persistently depressed economic climate.

For the first time ever in the Bank's history, the balance sheet totals overshoot the BF 1,000 billion mark and registered a gain of 3.7% by comparison with 31st March 1982.

As at 31st March 1983 customers' deposits reached BF 402.3 billion as against BF 364.2 billion the same time last year (up by 10.5%).

Growth in lending to the private sector (advances and guarantees) was inhibited, emerging at BF 358.1 billion only compared with BF 346.5 billion at the end of March 1982 (up by 3.4%).

Public sector financing demonstrated sustained growth and moved ahead to BF 292 billion from BF 227.2 billion one year previously, which represents a 28.5% increase.

Net interest income (i.e. total income from application of working resources less interest and commission paid) amounted to BF 10,619 million at this interim stage, up by 10% over the corresponding period last year.

Sundry income accounted for BF 3,095 million and rose by 15.5%.

After deduction of overhead expenses, where a policy of strict cutbacks has been pursued, the first six months of the financial year recorded operating profits before duties, taxes, provisions and depreciation of BF 2,483 million, reflecting an 18.1% improvement.

In a persistently dismal economic scene both nationally and in the world as a whole, it can safely be assumed that provisions and depreciation will once again show an increase on 1981-82 figures.

Though in the present environment predictions should be treated with extreme wariness, the Bank expects the coming six months to confirm the trends witnessed during this first half-year.

The annual report 1981-82 of BBL may be obtained from the Secretary-General's Office of BANQUE BRUXELLES LAMBERT, 24 avenue Marx, 1050 BRUSSELS.

Walter Heller suffers sharp earnings fall

By Paul Taylor in New York

WALTER E. HELLER, the Chicago-based commercial finance and bank holding company which earlier this year agreed to sell its two commercial finance subsidiaries to Fuji Bank for \$425m cash, has announced sharply lower first quarter earnings.

The company reported net earnings of \$3.965m or 32 cents a share, compared with \$9.76m or 81 cents a share.

The results follow a \$7.4m loss in the fourth quarter, mainly because of a substantial increase in loan loss reserves at Walter E. Heller and Co, its domestic finance subsidiary.

Heller International's earnings have been substantially reduced over the past year by the need to increase loan loss reserves because of the deterioration in quality of some domestic commercial finance subsidiary's loans.

Mr Franklin Cole, Heller International's chairman, said first quarter earnings had again been hit by "an increase in the provision for losses on receivables, a high level of non-earning assets and lower finance spreads, primarily at the company's domestic finance subsidiary."

Under the agreement with Fuji, Heller International will sell the Tokyo-based bank its domestic finance subsidiary and Walter E. Heller Overseas.

This will leave the company with one major asset, American National Bank. The company is still considering the future of American National.

Duty revision boosts Ranger

By Our Financial Staff

RANGER OIL, the Canadian-based oil company, boosted first-quarter net profits from \$4.2m, or 7 cents a share, to \$11.4m, or 19 cents, due mainly to the elimination, announced last year, of UK Supplementary Petroleum Duty on revenues.

Ranger said reduced interest charges and a lower effective rate in British income and petroleum revenue taxes also buoyed earnings. Revenues slipped from \$51.4m to \$48.4m, due to lower world oil prices.

Manufacturers Hanover Overseas Capital Corporation

(Incorporated in the State of Delaware with limited liability)

U.S. \$50,000,000
10 1/8% Guaranteed Notes due May 27, 1988
U.S. \$100,000,000
10 1/8% Guaranteed Notes due May 27, 1990

unconditionally guaranteed by

Manufacturers Hanover Corporation
(Incorporated in the State of Delaware with limited liability)

Issue Price 100%

The following have agreed to subscribe for the Notes:

Manufacturers Hanover Limited

Amro International Limited

Banque Paribas

Commerzbank Aktiengesellschaft

Creditanstalt-Bankverein

Goldman Sachs International Corp.

Lehman Brothers Kuhn Loeb

International, Inc.

Samuel Montagu & Co. Limited

Svenska Handelsbanken Group

S.G. Warburg & Co. Ltd.

Bank of Tokyo International Limited

Den norske Creditbank

Genossenschaftliche Zentralbank AG

Vienna

IBJ International Limited

LTCB International Limited

Banque Nationale de Paris

Bayerische Vereinsbank Aktiengesellschaft

Continental Illinois Capital Markets Group

Enskilda Securities

Skandinaviska Enskilda Limited

Hambros Bank Limited

Merrill Lynch International & Co.

Salomon Brothers International

Union Bank of Switzerland (Securities) Limited

Dean Witter Reynolds Overseas Ltd.

CIBC Limited

DG BANK Deutsche Genossenschaftsbank

Girozentrale und Bank der österreichischen

Sparkassen Aktiengesellschaft

Kansallis-Osake-Pankki

Nippon Credit International (HK) Ltd.

The Notes in bearer form in denominations of U.S.\$1,000 and U.S.\$50,000 each and in registered form in denominations of U.S.\$1,000 and integral multiples thereof, constituting the above mentioned Notes have been admitted to the Official List of The Stock Exchange of the United Kingdom and the Republic of Ireland subject only to the issue of the Notes. Interest will be payable annually in arrears on 27th May of each year commencing in 1984.

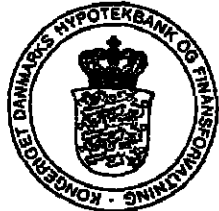
Particulars of the Notes are available in the statistical services of Fxstat Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 27th May, 1983 from:

Cazenove & Co.,
12 Tokenhouse Yard,
London, EC2R 7AN

13th May, 1983

These securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE



April 1983

The Mortgage Bank and Financial Administration Agency of the Kingdom of Denmark

(Kongeriget Danmarks Hypotekbank og Finansforvaltning)

U.S. \$60,000,000

Guaranteed Floating Rate Notes due 1990, Series 82

Unconditionally guaranteed by

The Kingdom of Denmark

Sumitomo Finance International

LTCB International Limited

Andelsbanken a/s Danabank

Bank of Helsinki Ltd.

Den Danske Provinsbank A/S

Genossenschaftliche Zentralbank AG - Vienna

Oesterreichische Volksbanken-Aktiengesellschaft

SwedBank (Sparbankernas Bank)

Bank of China

Daiwa Europe Limited

Fællesbanken for Danmarks Sparekasser A/S

Kyowa Bank Nederland NV

Sparekassen SDS

Takagin International Bank (Europe) S.A.

Adviser to the Issuer
Danish Project Finance

I.P.N.A. N.V.

Notice is hereby given that in accordance with article 9 of the conditions of administration, the annual general meeting of the holders of Depository Receipts of Indosuez and Partners Properties in North America (I.P.N.A.) N.V. will be held on May 27, 1983, at the office of the Stichting in Amsterdam, at Herengracht 320 at 3.30 p.m. in order to review the annual accounts of Indosuez and Partners Properties in North America (I.P.N.A.) N.V. for the fiscal year ending December 31, 1982.

Notice that in accordance with article 9 of the conditions of administration, holders of Depository Receipts or their representatives are not allowed admission to the meeting unless they have deposited their certificates at the office of the Stichting at least three days prior to the meeting, or unless they have deposited with the Stichting a statement from a bank that such certificate will be held in its custody until the end of the meeting.

Notice that agenda of the meeting and the annual accounts 1982 have been deposited at the offices of the Stichting at the aforementioned address, and a copy thereof will be sent upon request to any holder of Depository Receipts.

STICHTING INDOSUEZ TRUST SERVICES

BARLOW HOLDINGS PLC

RESULTS FOR 1982

£ million	1982	1981
Profit after tax	2.58	1.81
Extraordinary profits	12.06	0.18
Earnings per share	5.31p	3.63p
Dividends per share	4.00p	3.25p

The above figures constitute an abridged version of the full accounts which carry an unqualified audit report and will be filed with the Registrar of Companies following the Annual General Meeting held on 10th May 1983.

INTL. COMPANIES & FINANCE

Car robots at Hofu pave way for Toyo Kogyo to boost output

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN'S CAR exports fell last year for the first time since the industry's overseas sales drive really began to take off in the mid-1970s. Yet a newly completed car assembly plant that is overwhelmingly geared to exports has been doing a roaring business since it began operations last October.

The factory in question is Toyo Kogyo's Y35bn assembly plant at Hofu, a medium-sized port city near the extreme south western tip of the island of Honshu where industry has been rather thin on the ground until recently. The Hofu plant was designed to produce 20,000 units per month of a new passenger car, destined mainly for overseas markets, called the Mazda Capella (or the Mazda 626 in the U.S.). During the past four months of operations at Hofu, output of completely built-up Capellas has, in the event, been between 22,000 and 23,000 units per month.

One of the reasons why workers at Hofu have been run off their feet while those at other big Japanese car plants have been able to take it fairly easily recently is that Toyo Kogyo's other car production facilities at Hiroshima were desperately in need of a rest at the time the new factory came on stream. Toyo Kogyo is the third largest Japanese car maker, following Toyota and Nissan, but has for many years been the only one of the industry's nine car makers producing all its output from a single location.

In order to give itself room to breathe the company acquired land as long ago as 1973 for the construction of a new motor plant and persuaded the prefectural government of Yamaguchi (where Hofu lies) to build roads and ports that were needed to make the site usable. What happened after that was the near collapse of Toyo Kogyo itself under the impact of the first (1973) oil crisis.

Toyo Kogyo spent the mid-1970s reconstructing itself and up-dating its model line so as to cope with the high petrol prices that had virtually eliminated demand for the "gas guzzling" rotary engine cars it was marketing in the early 1970s. By the end of the decade the company had made a remarkable return to health and was ready to carry out the ambitious relocation plant that had been planned some eight years earlier.

Toyo Kogyo, the maker of Mazda cars, has broadened its production facilities by adding to its works at Hiroshima a highly automated new plant at Hofu, a port city in a largely unindustrialised region at the south west tip of Honshu. The plant has been built at a cost of Y35bn, or \$150m, and is overwhelmingly geared to exports.



Kogyo's viewpoint, since Hofu is 130 kilometres to the south west of Hiroshima where all the company's output of finished cars, and most of its suppliers, were concentrated until the end of 1982. Toyo Kogyo persuaded nine independent component makers employing a total of around 1,000 people to invest Y12bn (\$50m) in moving to Hofu.

Other components, including engines, are still trucked over the intricate and frequently congested public highway system from Hiroshima but so far the trucks seem to be getting through all right. Stocks of engines at the Hofu plant are limited to two hours supply while the move of the entire plant would grind to a halt if the drive from Hiroshima took more than six hours, instead of the maximum four allocated.

Toyo Kogyo's Hofu labour force includes about 450 people (out of a total of 1,800) who were on the spot at the time the new plant opened—either because they had been working at other smaller plants in the area or because they had been recruited during the two-year construction period. Of the remaining 1,300 odd, well over half "volunteered" to make the move from Hiroshima, while a minority of about 500 workers had to be "directed".

Toyo Kogyo says that no worker actually refused instructions to move, although a few pleaded exemption for family reasons. One reason may have been the fact that some fairly handsome incentives—including about Y3.6m of interest subsidies on loans needed to buy new homes in the Hofu area—were offered.

The Hofu plant may not be the last word in highly automated car assembly, if only because the company admits that it has yet to work out ways of replacing men with robots on the final and intricate vehicle assembly line, but it is probably at least one jump ahead of many of Japan's larger and more centrally located car factories.

One of the ironies of the project is that Toyo Kogyo would almost certainly not have been able to boast possession of the industry's most advanced production facilities if it had been able to build a new factory when it first planned to do so—instead of after an agonising eight-year time lag.

Toyo Kogyo admits that the welding jobs at the new plant's body assembly shop, leaving only the smaller and more intricate tasks to the 120 workers still assigned to this section of the plant. In the stamping shop, ten direct production workers and about 30 computer operators and maintenance men preside over an operation which is probably as highly automated as anything in the Japanese motor industry. In the vehicle assembly shop from which the finished cars

emerge, human workers still appear to be more efficient—or at least more economical—than the best available robots, but Toyo Kogyo has automated some jobs for "humans" rather than cost-cutting reasons. An example is the solitary robot, designed by the Japanese manufacturer Nachi Fujikoshi, the job of which is to put a spare wheel (weighing 20 kilos) into the boot of each car.

Hofu is a one-model assembly plant at the moment, for the very simple reason that overseas demand for the Capella (which made its debut at the same time as Hofu itself) is far outstripping the company's ability to supply finished cars. Just making the Capella, however, would certainly not have been enough to justify the new plants existence in the long run. Hofu was accordingly designed to be able to produce three completely different car models, in a total of nine different versions, on a single production line running continuously from body assembly to the final stage of vehicle assembly.

SMALL ENTERPRISE DEVELOPMENT PROJECT (SEDP) - IN INDONESIA

CONSULTANTS NEEDED

We are seeking consultants to join our Central Project Management Unit in Jakarta, Indonesia for the following positions:

1. Project Advisor—1 (one) person
2. Development Banking Advisor—1 (one) person
3. Industry Advisor—1 (one) person
4. Staff Development Advisor—1 (one) person

General Requirements:

1. Only those candidates from EEC member states are eligible to apply for the position mentioned above.
2. The candidates should be at least 35 years old.
3. They should be fluent in spoken and written English and are expected to develop a working knowledge of the Indonesian language within six months after joining the project.

Special Requirements:

PROJECT ADVISOR

The Advisor should have at least 10 years of relevant experience in developing countries including work with government institutions. He should have a graduate degree in Economics, Finance or Public Administration.

The Project Advisor would be primarily engaged in:

- a. assisting and advising the Project Manager in all aspects of the Project as requested;
- b. assisting in the formulation, supervision and evaluation of studies and surveys conducted under the project;
- c. assisting in the preparation of agreements and contracts related to foreign assistance and domestic consultancy;
- d. assisting in the monitoring and evaluation of reports and studies prepared by the Regional Project Management Units (RPMUs);
- e. assisting in the preparation and implementation of special projects in the regions;
- f. assuring the functional transfer of knowledge and experience in project administration and economics to assigned counterparts and to other staff.

DEVELOPMENT BANKING ADVISOR

This Advisor should have at least two years' and preferably more than five years' working experience in development banks, including work in developing countries. Practical experience with development banking procedures and financial analysis would be more important than formal education, though advance study of economics, finance or public administration would be useful.

The Development Banking Advisor would be primarily engaged in:

- a. assisting in the formulation, supervision and evaluation of

studies and surveys dealing with the development banking aspects of the KIK/KMKP Programme (Small Investment Credit/Permanent Working Capital Credit) as conducted under the project;

- b. assisting in refining procedures and regulations regarding the KIK/KMKP Programme as requested;
- c. assisting in preparing recommendations for improving Handling Bank's system and procedures for the KIK/KMKP Programme as requested;
- d. assisting in developing programme lending and other group-development schemes or special projects under SEDP;
- e. assisting in the monitoring and evaluation of reports and studies prepared by the RPMUs, especially with respect to the banking/financial issues raised in these reports and studies;
- f. assuring the functional transfer of knowledge and experience in financial analysis and development banking to assigned counterparts and to other staff.

STAFF DEVELOPMENT ADVISOR

The Advisor is expected to have extensive experience in staff development in a large and complex organisation. Should have worked for at least two years in a developing country environment. In addition to experience in the areas of staff development/training, the Advisor should have training and/or experience in organisational development and management of feedback systems for training.

The Staff Development Advisor would be primarily engaged in:

- a. planning and co-ordinating the training of handling bank loan officers. This should be done in close co-operation with the banking training institute, LPPI;
- b. assisting in developing procedures for monitoring of training needs and performance of training programmes;
- c. assisting to develop information feedback in order to help redesigning and readjusting training programmes;
- d. advising on the development of parameters to measure training needs for loan officers to improve lending programme performance;
- e. developing in co-operation with LPPI new training materials to

meet the needs indicated by the handling banks.

INDUSTRY ADVISOR

This Advisor should have at least five years' experience in work associated with small-scale industries and/or appropriate industrial technologies. He should have an advanced degree in industrial engineering or business administration.

The Industry Advisor would be primarily engaged in:

- a. assisting in the formulation, supervision and evaluation of studies and surveys relating to KIK/KMKP lending to manufacturing industry as conducted under the Project;
- b. reviewing Government industrial policy affecting Small Scale Enterprises (SSE) development and prepare, on request, written comments;
- c. monitoring and analysing the distribution of KIK/KMKP lending to manufacturing industries;
- d. assisting in the monitoring and evaluation of reports and studies prepared by the RPMUs for lending to SSE in manufacturing industries;
- e. assisting in the preparation and implementation of special projects in manufacturing industry in the regions;
- f. assuring the functional transfer of knowledge and experience in industrial development to assigned counterparts and to other staff.

The Advisors would work closely with other SEDP personnel to promote the Project objectives and to assist in general Project administration.

All four assignments will be for an initial period of two years and the successful candidates are expected to commence their assignments in June 1983.

Please send applications together with a detailed c.v. and recent passport photograph and an indication of the expected remuneration including benefit package not later than May 31, 1983 to the following address:

P.U.K.

P.O. BOX 35, JAKARTA—INDONESIA

INTL. COMPANIES & FINANCE

Trafalgar Housing to sell assets

BY ROBERT COTTRELL IN HONG KONG

HONG KONG'S Trafalgar Housing group plans to sell its assets to cut debts, while continuing to negotiate with its bankers for a restructuring on asset and principal repayments as a prelude to rescheduling.

Trafalgar's financial straits arise, ironically, from expensive diversification away from Hong Kong's overheated property market, whose collapse has claimed other corporate victims.

According to a confidential document sent to Trafalgar's creditors, the group's last month, group borrowings at February 28 this year totalled HK\$780.1m (US\$105.8m). Of that, HK\$567.1m was owed to banks on a secured basis, HK\$125.9m on an unsecured basis and HK\$97.1m to other unsecured creditors.

Trafalgar says the newly announced assets disposal should cut debts to between HK\$200m and HK\$250m.

Trafalgar's unquoted holding company, the Wu family's Central Enterprises, is in even worse shape, with debts at end-February of HK\$623.5m and a

negative net asset value of minus HK\$254.4m. Central's main asset is 76 per cent of Trafalgar, so its financial health—and creditors' hopes—depend on reconstructing Trafalgar (which has no connection with Trafalgar House of the UK).

The February balance-sheet showed Trafalgar's net asset value at HK\$447.1m, assuming a valuation of HK\$585m for the group's asset-unbuilt Taipa housing project in neighbouring Macau. The Hong Kong deposit-taking office of Samuel Montagu, the merchant bank, which is advising Trafalgar, has told bank creditors in a private memorandum that "the future prosperity of Trafalgar depends almost entirely on the success of its Taipa sales programme."

Trafalgar says it has "taken steps to dispose of all the investments in the U.S." where it has oil and mining interests. Estimates presented to bankers of the group's gross U.S. assets had suggested a value of between U.S. \$15m and U.S.\$20m, but falling in the

event of a forced bankruptcy sale to perhaps between U.S.\$5m and U.S.\$7m.

Trafalgar says its fish farming business in Guam has been closed, while future operations of its 'Tianjian' prawn farm will be supported by the Chinese authorities. A Hong Kong residential site at Bowen Road will now be offered for sale, and an interest in a Shouson Hill development in Hong Kong has been sold to joint venture partners.

The principal assets of the slimmed-down Trafalgar would be the Taipa project, where it has a 90 per cent interest, and a proposed new town on Hong Kong's northern border, called Tinsuiwai, where it has a 26 per cent interest in the joint venture led by Peking's China Resources.

While construction of the new town appears several years away, the development consortium will be undertaking prior site formation work on a "cost-plus" basis under contract to the Hong Kong Govern-

ment.

An appraisal of the Taipa project sent privately to Trafalgar's bankers says: "The success of the sales concept hinges on the attractiveness of Portuguese residency permits."

Trafalgar devised a scheme whereby purchasers would buy together with their flat, a U.S.\$30,000 preference share in a Portuguese-based investment company. As Portugal administers Macau, investors could, on the basis of a residence in Macau and an income-bearing investment in Portugal, apply for residency in Portugal itself.

The scheme could attract Hong Kong Chinese worried about the territory's possible reversion to China by 1997, when most of Britain's lease over Hong Kong expires. The Macau authorities warn, however, that the Taipa packages fall far short of any implied guarantee of eventual acquisition of a Portuguese passport. Pre-sales of Taipa could begin if bankers agree a debt moratorium for Trafalgar.

Price-cutting hits Yasukawa Electric profits

BY YOKO SHIBATA IN TOKYO

YASUKAWA ELECTRIC, the leading Japanese heavy electrical and robot manufacturer which has sales and technical tie-ups with 15 overseas robotics companies including Thomson, suffered a sharp fall in profits in the fiscal year ended March 31. Earnings were seriously eroded by stiff price-cutting among Japanese robot makers.

Yasukawa Electric's unconsolidated full-year operating

profits dropped by 36.7 per cent to ¥30.7bn (US\$217.6m). Net profits were ¥23.6bn, down 16.5 per cent, on sales of ¥94.8bn, up 2 per cent from the previous year.

Per share profits were ¥11.6, compared with ¥15.74 in the previous year.

Yasukawa maintained a top share of the market for welding robots in Japan, and also expanded sales and technical tie-ups of its welding robots such as Motorman L with over-

seas manufacturers.

However, sales of heavy electric appliances were sluggish, up only by 1.1 per cent to account for 38.6 per cent of total turnover and sales of multipurpose electric equipment, representing 15.6 per cent of total turnover, fell by 9.1 per cent.

In the current fiscal year, the company cannot count on much improvement in its sales of

electrical equipment. However, sales of electronics and energy-saving equipment, mainly robots, are expected to grow smoothly. As a result, full year sales are projected at ¥96.5bn, 1.5 per cent above the previous year's level. But the company expects operating profit to fall by 14.2 per cent to ¥3.5bn and net profits to decline by 30.6 per cent to ¥1.64bn as a result of price-cutting.

Makino Milling blames competition for setback

BY OUR TOKYO STAFF

MAKINO MILLING Machine, the Japanese machine tool builder, saw operating profits fall by 6.4 per cent to ¥5.91bn (US\$55.5m) in the year ended March 31. The setback, the first in seven years, was blamed on intensified competition for the company's machining centres and a sharp fall in exports.

Unconsolidated full-year net profits were down by 5.3 per cent to ¥3.05bn, on sales 7.5

per cent ahead at ¥38.24bn. Per share profits dropped to ¥43.96 from ¥50.04.

In the current year, exports remained sluggish. Full-year sales are expected to stay at the previous year's level at ¥38.2bn. Operating profits are forecast to be ¥5.9bn, almost unchanged from the previous year, and net profits are expected to be broadly unchanged at ¥3bn.

Air Afrique out of the red

BY PETER BLACKBURN IN ABIDJAN

AIR AFRIQUE, the Abidjan-based African multinational airline, made a "small" net profit in 1982.

Mr Aoussou Koffi, Air Afrique's president and director-general, said the company made a net profit of about \$170,000 on a turnover of \$285m. This compares with a loss of \$6.5m on a turnover of \$288m in 1981.

Full details of 1982 financial results are not expected to be released before Air Afrique's

annual general meeting, which is due to be held in Abidjan next month.

Mr Koffi is from the Ivory Coast, will be standing for re-election to a third term of office.

He complained recently that Air Afrique's poor profits were primarily the result of the withholding of payments due to the airline totalling \$34m by the company's 10 shareholder Governments. These include several of the world's poorest countries.

SVENSKA CELLULOSA

AKTIEBOLAGET SCA

9% Convertible Subordinated Bonds 1998

NOTICE TO BONDHOLDERS

As announced in a Notice to Bondholders published on March 31, 1983, the conversion price applicable to Bonds as from April 12, 1983 may be subject to retroactive adjustment in accordance with Condition 3 (g) (5) (A) of the Bonds, due to a rights issue of subordinated notes to shareholders of record on April 11, 1983. Such adjustment, if any, will be determined at the close of the subscription period and in the above-mentioned Notice it was stated that Bondholders were to be given notice during the first week of June 1983 of the conversion price applicable as from April 12, 1983.

The Board of Directors of Svenska Cellulosa Aktiebolaget SCA have decided to submit to the Annual General Meeting of Shareholders on May 26, 1983 a proposal to extend the subscription period for the rights issue, which would otherwise end on May 31, 1983, to June 10, 1983.

As a consequence, should the Meeting accept this proposal, the conversion price applicable as from April 12, 1983 will be determined after the close of business on June 10, 1983, and a notice to Bondholders concerning the conversion price so determined will be published during the third week of June, 1983.

Sundsvall, May 13, 1983
The Board of Directors

This advertisement complies with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to subscribe for or purchase, any securities.

U.S. \$100,000,000

ICI Finance (Netherlands) N.V.

(Incorporated with limited liability in the Netherlands)

9½ per cent. Guaranteed Bonds due 1990

(convertible into 9½ per cent. Guaranteed Sterling Bonds due 1990)

unconditionally and irrevocably guaranteed as to payment of principal and interest by, and having attached Warrants to acquire Ordinary Shares of,

Imperial Chemical Industries PLC

(Incorporated with limited liability in England under the Companies Acts, 1908 to 1917)

The following have agreed to subscribe or procure subscribers for the Bonds with Warrants attached:

Goldman Sachs International Corp.

Morgan Grenfell & Co. Limited

Deutsche Bank Aktiengesellschaft

S. G. Warburg & Co. Ltd.

Credit Suisse First Boston Limited

The Nikko Securities Co., (Europe) Ltd.

J. Henry Schroder Wagg & Co. Limited

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

The Bonds (which are in the denomination of U.S. \$5,000 each) with Warrants attached, the Bonds, the Sterling Bonds into which the Bonds are convertible and the Warrants have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global bond and temporary global warrant. The subscription price is 125 per cent. of the principal amount of the Bonds. Interest on the Bonds will accrue from June 1, 1983 and will be payable annually in arrears on June 1, commencing on June 1, 1984.

Particulars of the Bonds, the Sterling Bonds and the Warrants are available through Exel Statistical Services Limited and may be obtained during normal business hours (Saturdays excepted) up to and including May 27, 1983 from the brokers to the issue:

Hoare Govett Ltd.,
Heron House,
319-325 High Holborn,
London WC1V 7PB

Rowe & Pitman,
City Gate House,
39-45 Finsbury Square,
London EC2A 1JA

Pannone Gordon & Co.,
9 Moorfields Highwalk,
London EC2Y 9DS

Springour, Kemp-Gee & Co.,
20 Copthall Avenue,
London EC2R 7JS

May 13, 1983

Finance for Industry International B.V.
(Incorporated in The Netherlands with limited liability)

Issue of up to

£40,000,000

10½ per cent. Guaranteed Notes 1990

of which £20,000,000 are being issued as the Initial Tranche

unconditionally and irrevocably guaranteed by

Finance for Industry plc

(Incorporated in England under the Companies Acts 1948 to 1967)

Issue Price of the Initial Tranche 95½ per cent.

The following have agreed to subscribe or procure subscribers for the Initial Tranche of the Notes:—

S. G. Warburg & Co. Ltd.

Banque Paribas

County Bank Limited

Lloyds Bank International Limited

Samuel Montagu & Co. Limited

The Royal Bank of Scotland plc

Westdeutsche Landesbank Girozentrale

Barclays Bank Group

IBJ International Limited

Merrill Lynch International & Co.

Nomura International Limited

Salomon Brothers International

The 4,000 Notes of £5,000 each constituting the above issue of the Initial Tranche of the Notes have been admitted to the Official List of The Stock Exchange of the United Kingdom and the Republic of Ireland, subject only to the issue of the Initial Tranche. Interest is payable annually on 15th May, the first such payment being due on 15th May, 1984.

Particulars of the Notes and of Finance for Industry International B.V. and Finance for Industry plc are available from Exel Statistical Services Limited and may be obtained during normal business hours up to and including 27th May, 1983 from:—

Hoare Govett Ltd.,
Heron House,
319-325 High Holborn,
London WC1V 7PB.

13th May, 1983.

All these securities having been sold, this announcement appears as a matter of record only.

Genossenschaftliche Zentralbank
Aktiengesellschaft

Vienna

U.S. \$50,000,000

11½ per cent. Subordinated Bonds due 1990

S. G. Warburg & Co. Ltd.

Credit Suisse First Boston Limited

First Chicago Limited

London & Continental Bankers Limited

Bank of Tokyo International Limited

Berliner Handels- und Frankfurter Bank

CIBC Limited

Citicorp International Bank Limited

Crédit Commercial de France

Daiwa Europe Limited

DG BANK Deutsche Genossenschaftsbank

Kuwait Investment Company (S.A.K.)

LTCB International Limited

Manufacturers Hanover Limited

Merrill Lynch International & Co.

Samuel Montagu & Co. Limited

Morgan Guaranty Ltd

Morgan Stanley International

Orion Royal Bank Limited

Wood Gundy Limited



N.V. Nederlandse Gasunie

(Incorporated with limited liability in The Netherlands)

U.S. \$50,000,000

10½ per cent. Notes due 1990

Issue Price 100 per cent.

Swiss Bank Corporation International Limited

Algemene Bank Nederland N.V.

Amro International Limited

Credit Suisse First Boston Limited

Deutsche Bank Aktiengesellschaft

Morgan Guaranty Ltd

Salomon Brothers International

NEW ISSUE

All these securities having been sold, this announcement appears as a matter of record only.

April, 1983

UK COMPANY NEWS

BOC £10.5m lower for first half

LOWER rates of inflation in the UK and U.S. in the six months to March 31 1983 had the effect of reducing stock holding gains of BOC Group by £3.5m to £1.4m and resulted in a fall in pre-tax profits from £46.8m to £36.1m.

Undiluted earnings per 25p share are shown to have declined from 8.95p to 5.48p, while fully diluted they are down from 6.35p to 5.77p. The net interim dividend, however, is being raised by 5 per cent from 2.6p to 2.73p. Last year's total payment was 5.74p from profits of £102.6m.

Commenting on prospects, Mr Richard Giordano, chief executive, says he expects to see improved earnings in the second half of the year, but the size of this improvement will depend on the speed and robustness of recovery, principally in the U.S.

Although the recession continued unabated during the first half, leading indicators in the U.S. and some modest improvement in certain consumer industries in that economy suggest that a recovery is underway, he states.

There are also widespread indications of increased optimism for prospects in the UK, he adds, although economic activity in South Africa has continued to decline over the past six months and the Australian economy has continued to fall deeper into recession, with industrial production dropping sharply and no sign of recovery in sight.

The group's first-half sales pushed ahead from £733m to £826m, but after taking exchange rates into account, they showed little change on the

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not given as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim: Amber Dry, Fairline Boats, M. J. Gossens, Reliant Motor, Wolverhampton and Dudley Breweries.

Final: Anglo-Indonesian Corporation, James Beattie, Percy Elton, Herman Smith, Hunting Gibson, King and

corresponding period. CCA trading profits were down from £55.4m to £53.6m. However, on a modified historical cost basis the decline was more marked, with the outcome at £56.2m against £77m.

This was after operating costs of £59.1m (£54.0m) and depreciation of £76.1m (£50.5m) but included a £6.7m (£4.5m) share of associates and the realised shareholding gains.

A £4.2m increase in interest charges has been capitalised, leaving the total charge for the half year little changed at £30.2m (£30.4m).

Tax absorbed £7.5m (£11.9m) for net profits of £23.6m (£24.7m) and with minorities taking £7.4m (£4.9m), the available balance turned in at £12.2m (£29.8m).

A divisional analysis of operating profits of £55.5m (£57m) shows industrial gases and cryogenic plant £53.6m (£48m); health care £23.5m (£13.4m); carbon and carbide £3.4m loss (£5.5m profit); welding £3.1m

quarter of the year, returned to profit in the second. This improvement was due to further penetration of international markets, in line with long-term strategy, and a very modest improvement in U.S. steel industry operating rates.

Sales and profits of the health care business, broadly untouched by the recession, were substantially higher in the first six months.

The group has invested heavily in the past few years for the longer term future of its gases, graphite and health care businesses, states Mr Giordano. Capital expenditure in 1982 totalled £22m, and this year investments in new facilities for gases and graphite, and acquisitions in gases and health care will exceed £40m.

Three businesses were acquired at the beginning of the current year. Glascock Medical Services, the industrial gases business in Latin America of Allegheney International, and a 45 per cent stake in Osaka Sanko KK of Japan. These are being integrated smoothly into group operations, says Mr Giordano, and he expresses confidence that they will prove to be sound investments.

The group balance sheet at March 31 shows shareholders' funds at £1,077m (£888m). Fixed assets totalled £1,539m (£1,265m), working capital (excluding bank balances and short-term loans) £288.3m (£200.3m), non-current liabilities and provisions £84.5m (£74m) and net borrowings and finance leases £721.9m (£599.3m).

See Lex

Depressed UK side cuts Holt Lloyd £1m

PRE-TAX profits of car care products group Holt Lloyd International for the year to February 26 1983 fell by £1.1m to £2.06m compared with the previous year with the fall blamed almost entirely on a very disappointing performance by the UK division.

The dividend, however, is maintained at 3.17p net per 10p share with a same-again final of 1.67p earnings per share of 1.67p.

Mr Tom Heywood, the chairman, points out that severe action in terms of factory closures and staff reductions was taken in the UK side of the business since the closure of the Adding-up factory the fall in sales has been stemmed and a return to more acceptable profit levels has already been achieved.

Group sales for 1982/83 advanced from £50.85m to £52.27m, the UK car care share falling from £11.95m to £11.67m. Overseas and export contributed £39.92m (£39.33m) with the balance, £23.3m (£23.3m), coming from the food division. Eighty-eight per cent of trading profits, £2.81m (£2.73m), came from overseas markets.

Pre-tax results were after interest charges of £810,000 (£706,000).

Charges of £1.65m (£905,000) for tax, £480,000 (£7,000 credit) for extraordinary items and £211,000 (£141,000) for minorities left the group with an attributable deficit of £38,000, compared with a £23,000 surplus short-term borrowings increased by some £5m and resulted in higher interest charges.

comment

The market had already prepared itself for the poor result pre-announced in Holt Lloyd's interim. Relieved by the maintained—albeit uncovered—dividend, the shares up to 53p, where they yield 3.8 per cent. The optimism is also based on Holt's uncompromising moves to improve profitability.

Group short-term borrowings increased by some £5m and resulted in higher interest charges.

G. R. (Holdings)

Pre-tax profits at G.R. (Holdings), manufacturer, tanner and retailer of sheepskins and furs, fell from £1.12m to £883,000 in the six months to December 31 1982. Group turnover was also down from £1.21m to £1.05m. The net interim dividend is unchanged at 1.5p—last year a final of 5.4p was paid from pre-tax profits of £1.88m.

Tax was down from a re-stated £415,000 to £255,000, leaving attributable profits of £298,170, compared with £699,027. State earnings per 25p share were 10.5p (14.9p re-stated).

Three new issues are oversubscribed

By Dominic Lawson

NEW ISSUE oversubscriptions both great and small featured in the City yesterday. The highest multiple was that for U.S. dishwasher maker Chemical Methods Associates.

Although no formal announcement has been made, and the basis of allotments has not yet been concluded, the issuing house, Alden Hume, says that the £4.5m offer had been oversubscribed "about 15 times."

At 115p per share, that indicates that about £55m of would-be investors' money has chased after the USM stock.

Mr David Smith of Alden Hume said, "there was a considerable amount of stacking, but we vehemently deny that we could have got a better price for the company."

By contrast, Warburg's offer for sale of 1m shares at 50p each in another U.S. company, International Income Property Inc, was only 50 per cent oversubscribed.

Mr Anthony Durrant of Warburg's said: "We are most satisfied. But he conceded that IIP is not the sort of company to attract the investor looking for a quick profit. Investors want it for its yield."

The applications for IIP, in which dealings will begin on May 16, were made on the following basis: Applications for up to 2,000 shares in full. Those for 2,201-15,000 shares: 75 per cent of amount applied for. Those for 15,001-35,000 shares: 65 per cent of the amount applied for. Those over 35,000 shares: 50 per cent of the amount applied for.

Microcomputer software company Micro Focus last week offered £2.85p shares by tender, with 155p as the minimum application price. At that price the offer was about five times oversubscribed, but the striking price set by the issuing house Singer & Friedlander was 240p. At that price the offer was still oversubscribed three-fold, and Singer & Friedlander managing director Sir Timothy Harford said: "That must be one of the biggest ever premium over a minimum tender price."

He added, however: "We could have covered the issue at a much higher price."

Dealings are due to begin on the USM May 18. At the striking price Micro Focus, which only came into pre-tax profitability last year, is capitalised at almost £25m and the chairman, Mr Brian Reynold, will have a shareholding worth about £7m.

Applicants for 200 shares will be allotted 100, 400, 160, 800, 240, 400, 280, 1,000 and above: 33 per cent of the amount applied for.

Vaux ahead at midway but cautions on second half

FOR THE 24 weeks to March 19 1983, Vaux Breweries improved pre-tax profits from £3.52m to £4.12m, on turnover up from £42.5m to £48.35m, and is lifting its interim dividend from 2.75p to 3.025p net.

Last year's total payment was 8.25p on profits of £10.49m. On prospects, the directors say draught beer sales remain slack, and the effects of the Channel Four television dispute mean the group can only look forward to a small profit from its share of Tye Ties in the second half.

Compared with last year's £286,000, this will affect the level of group profits in the remainder of the 12 months.

Of the period under review, they say profits have been helped by increased sales of packaged beer, but the company's new can line is fully on stream. They include 24 weeks trading at London International Hotel (last year two weeks) and 20 weeks profits of Sheffield

Refreshment Houses.

Also taken into account is £238,000 representing five months trading of Tye Ties, compared with £67,000 for two months last year.

Trading profits of the group advanced from £3.68m to £4.36m, before finance charges of £510,000 (£257,000) and the inclusion of a £240,000 (£100,000) share of associates.

Tax took £1.74m (£1.29m), leaving net profits at £2.44m (£2.23m), and dividends cost £1.02m (£892,000).

comment

The £2m investment Vaux Breweries made in a new canning hall, now one of the most modern in Europe, is beginning to pay off. Vaux has secured a number of major supermarket outlets and although margins are tough in the canned market, its efficient production is allowing the development of a successful business to compensate for the

continuing flatness of the draught beer market in the North East. Its move into the hotel business with Swallow Hotels, the London International and most recently the Sheffield Refreshment Houses was viewed warily by the market, but given the low demand in its traditional business, the strategy is proving to be a sound one. Occupancy rates are quite comfortably ahead of the same period last year—there are more tourists around and the businesses are back on the road. Tye Ties where Vaux has a 20 per cent holding is suffering from the heavy costs of Channel 4. It still views the investment as very healthy, but this year admits profits from Tye Ties in the second half will be well down on last year. Group profits, before property disposals, are expected to be around £11m at full time. The share price fell 5p to 238p giving a prospective yield of 3.5 per cent.

F. Parker soars 140% and further improvement seen

Francis Parker, the building products and services group based at Chichester, returned profits of £784,000 pre-tax for 1982, an improvement of 140 per cent over 1981's £326,000.

The current year has started well, aided by the mild winter and an upturn in housing starts, and Mr R. K. Francis, chairman, says profits for the first quarter are "well above" those of the same period last year.

He adds that if demand is maintained he expects to see a further significant rise in profits for 1983, thereby increasing again the group's capacity to pay dividends.

For 1982 shareholders receive 1.05p net per 10p share, compared with 0.7p previously, the final being doubled to 0.7p.

Turnover expanded by 18 per cent from £18.77m to £22.24m and trading profits rose by £497,000 to £1.71m.

comment

Francis Parker is a very capital intensive business which makes building materials, concrete blocks and provides energy conservation services. A small upturn in orders feeds quickly

through to the bottom line and after three years of disappointing profits, it has produced a 140 per cent increase. It benefits from being based in Chichester in the south where the demand for housing has been strongest. It still has a long way to go to regain the position it held in the late 1970s when profits comfortably exceeded £1m both in volume of orders and in better margins. The sale of its land holding company R. K. Francis Southern Land has brought borrowings down to a more acceptable level of £3m excluding £2m of convertible loan stock. That is about 40 per cent of shareholders' funds, a level the company hopes to bring down further in 1983. Its associate company Southern Forth Services, owned 50/50 with Powell Duffry, is very highly geared and this year produced a £39,000 loss but the company expects a contribution of around £1m when business returns to a more normal level. The chairman's cheerful statement on a significant rise in profits was enough to add 3p to the share price to 33p a nine year high, giving a historic yield of 4.6 per cent.

Hongkong Rubber may liquidate

Along with results for 1982, showing pre-tax profits lower at £582,022, compared with £612,247, the directors of Hongkong Rubber say they consider liquidation would be best served by putting the company into liquidation.

The necessary resolution will be put to an EGM following the annual meeting and if approved, it would be the intention of the proposed liquidators to make an early "substantial" cash distribution to shareholders.

Below the line there were extraordinary credits of £3.76m arising from the disposal of the company's rubber and oil palm estate, referred to in May 1981 and again in November last year, which lifted attributable profits to £4,04m (£281,840).

In view of the liquidation, in lieu of the final, of 8p, making a total of 16p net per 10p share, compared with 25p for 1981.

This is the maximum dividend that can be paid without attracting further tax and without diminishing the funds available for distribution in the proposed liquidation, the directors state.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Bank of Ireland 2nd Int. 1411	6.5	July 8	14.5	6.5	5.5
Bestwood	6.5	July 8	6.5	6.5	5.5
BOC	2.75	Oct. 4	2.6	2.6	5.74
City of Oxford Ist.	4.11	June 25	3.75	5.85	5.5
Hartons Group	0.15	July 1	nil	0.15	nil
Holt Lloyd	1.67	July 29	1.67	3.17	3.17
Hollywood Rabbits	20	July 1	30	30	45
Hongkong Selangor	8	June 10	17	16	25
JSD Computer	1.5	June 13	0.6	2.1	0.5
Kuala Selangor	9	June 24	9	13.5	13.5
Lloyds & Scottish	1	July 1	1.57	4	7.5
Minty	1	July 15	5	4	7.5
Porter Chadburn	0.35	July 4	0.35	0.35	0.35
Seacombe Marshall	13	July 1	10.5	19	17.5
TR Technology	2.3	—	2.3	3.3	3.3
Francis Parker	0.7	—	0.7	1.05	0.7
Vaux Breweries	3.03	July 1	2.75	8.25	8.25
Warner Estates	4	July 4	3.5	—	9

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition. ‡ U.K. £1 = 100p. § Irish pence throughout. ** Includes additional 10.5p (same).

The Lombard 14 Days Notice Deposit Rate is

10%

per annum

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LADBROKE INDEX
670-675 (4)
basics of Ladbroke Index
Tel: 01-493 5261

Currys wasn't the only name popular with our customers last year.

For the Currys Group 1982/83 was a year of consolidation and soundly based progress with developments started in earlier years beginning to bear fruit.

Now with 514 branches, Currys Limited continued to dominate the Group but progress is being made in our other ventures including: Carousel Colourhire in TV and video rental; Bridgers Discount with its electrical and gas discount superstores; Micro-C in small computer systems and Mastercare in consumer electrical and gas appliance after sales service.

	Year ended January 1983	1982
Sales (excluding VAT)	£283.9m	£244.0m
Trading profit	£25.8m	£10.9m
Increase in provision for unexpired profit on credit sales	(£11.3m)	(£1.7m)
Interest (payable) receivable	(£0.6m)	£1.3m
Surplus on sale of properties	£1.2m	£0.5m
Profit before tax	£16.1m	£11.3m
Profit after tax	£9.7m	£8.4m
Dividend per share	6.75p	4.95p

Points from the Statement by Chairman, Dennis Curry.

- * Record results with turnover 20% higher and pre-tax profits up by 34%.
- * Year's total dividend increased from 4.95p to 6.75p.
- * Substantial increase in sales of colour TV and video recorders and good progress in rentals.
- * Considerable uplift in credit sales.
- * Eighteen new outlets have been opened and a further eighteen re-located adding 8% to the Group's selling space.

FOR 1983: "Sales so far this year have been usefully up on those of a year ago and, if this trend continues throughout the year, we should see a satisfactory year-end profit."

"In 1984 we celebrate our centenary. We have come a very long way, but we remain devoted to the tenet that the customer deserves the best possible merchandise, together with the best possible service."

For a copy of the Annual Report contact: The Secretary, Currys Group plc (Ref. FT), 46/50 Uxbridge Road, Ealing, London W5 2UL. Telephone: 01-567 6611.

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BIDS AND DEALS

Transparent Paper in preliminary talks with possible bidder

BY DAVID DODWELL

Transparent Paper, the Bury-based cellulose company which has recently emerged from two years of major restructuring, is holding preliminary discussions with a possible bidder.

The company's financial advisers, Robert Fleming, said a further announcement would be made as soon as possible. They advised shareholders not to sell their shares. Transparent Paper's shares rose 18p following the announcement, to close at 53p.

The company would not reveal who made the approach, or the price a bid would be pitched at. However, on the basis of last year's balance sheet, the company has a net asset value of almost £2.5m.

Mr Martin Fairbairn, the company's managing director, posted a circular assuring staff at the Bury factory that "in considering any offer which may be made, the board intends to ensure the continuance of Transparent Paper's business as Bury."

Over the past two years, Transparent Paper has faced severe difficulties as the world market for cellulose products has contracted. In the year to March 31 1982, it reported a pre-tax loss of almost £2.2m.

Its survival plan has meant the closure of its cellulose manufacturing plant and a contraction of the workforce from 1,340 in 1981 to just 640 today. This rationalisation has cost a total of about £7m.

The company now only converts cellulose and plastic film, and at the half-year stage reported that it was trading at a "modest profit." It promised shareholders that if the recovery

trend continued, then a final dividend may be paid. Full-year figures are expected at the end of May.

Borrowings remain high—they were £3.75m a year ago—but a programme of selling assets, including 36 houses and a sports ground, is expected to reduce this burden.

NO SUPPORT FROM SAXON

Replying to the statement by Clyde Petroleum on May 6, whereby the company said it was awaiting support from the board of Saxon Oil for a proposed revised offer, Saxon says it sees no reason to change its view that it is not prepared to recommend acceptance of an offer on such terms if formalised by Clyde.

Clyde proposed new terms, if recommended by Saxon, on the basis of five Clyde ordinary and six deferred for every four Saxon.

Saxon did not consider that this adequately reflected the potential value to Saxon of its interest in Block 16/7b, and other assets and prospects.

It is expected that an announcement of the results of the drilling on Block 16/7b will be made in the next few weeks. The Saxon board intend to write to shareholders after Clyde's original offer has lapsed.

PACKAGING INDOS.

Packaging Industries has purchased 29,936 of its own shares (29.9 per cent) from Montague L. Meyer for £297,569 in cash. Meyer no longer owns any shares in Packaging Industries.

Ruberoid plans to make £6m share bid for Camrex

BY CHARLES BATCHELOR

Ruberoid, the bituminous roofing and cladding group, plans to make a £6m share bid for Camrex (Holdings), the Sunderland-based marine and industrial coatings manufacturer.

If the offer is successful Ruberoid will also control the 57.58 per cent stake in Dufay Bitumastic, another coatings manufacturer, based in Shildon, Co Durham, currently held by Camrex.

Camrex urged its shareholders to take no action and has begun consultations with its financial advisers, merchant bankers Kleinwort, Benson. Mr Michael Ashcroft's Hawley Group, which holds 28 per cent of Camrex, has said it will accept provided no higher offer emerges.

Mr Ian Bolton, finance director of Camrex, said: "The bid came as a surprise. We were not looking for anyone to take us over."

Mr Stanley Clarke, the chairman, and several other Camrex directors were out of the country yesterday when the bid was announced.

Ruberoid said there was much

in common between the two companies particularly with regard to the geographical spread of their interests, to laboratory and technical disciplines and to contracting and management skills.

Ruberoid, which is based in London, makes bitumen and pitch-based roofing membranes, damp proof courses and insulation materials. It made pre-tax profits of £4.17m on turnover of £58.5m in 1982.

Camrex is more involved in marine coatings and has an international service network though it also makes industrial and other special coatings.

It made a pre-tax profit of £202,000 in 1982—£1,000 less than the year before—on slightly lower turnover of £18.1m.

Ruberoid is offering 24 of its own 25p ordinary shares for every 100 Camrex 20p shares valuing Camrex shares at 62.4p on the basis of Ruberoid's closing price of 240p yesterday.

Ruberoid's shares fell 7p, while Camrex rose 9p to 65p.

Full acceptance of the offer would involve the issue of 2.3m

shares or 16.2 per cent of the enlarged capital. A cash alternative worth 55p per share has been underwritten by Samuel Montagu, the merchant bankers.

Mr John Roberts, Ruberoid's managing director said that Camrex's Dufay Bitumastic holding, currently worth £1.5m, "was not a primary or even secondary consideration" in the bid.

Dufay's shares rose 9p yesterday to 40p, following the scrip issue.

Commenting on the possibility of further acquisitions by Ruberoid he said: "We are corporately very ambitious. We don't want to get indigestion but we would like to do other things which seem to do other things."

The company bought Catalin, a UK manufacturer of veneers and synthetic resins, in 1981 and last year took a 79 per cent stake in ATAB, a Belgian coatings manufacturer.

"One of my objectives is to derive more profit from our building industry activities, another is to lessen our dependence on that one industry," Mr Roberts said.

Dalgety offshoot in deal with CWS

Dalgety Spillers Feed, a subsidiary of Dalgety, the agricultural services, food and cereal processing group, has acquired James Wylie and Sons, an animal feed manufacturer wholly-owned by the Co-operative Wholesale Society (CWS), for an undisclosed sum.

Wylie has mills in Dumfries, Gartcraig and Stranraer, and distributes throughout south west Scotland from a depot at Kilmarnock.

This was the only remaining animal feed manufacturing operation owned by CWS. Mr Terry Pryce, Dalgety Spillers Feed chief executive, said the purchase made a sensible geographical extension into Scotland for the company. At present, Dalgety's northernmost animal feed operation is in Preston.

Dalgety is the second largest manufacturer of animal feeds in the UK, with an annual output of about 1m tonnes. The new company will add a further 60,000 tonnes a year to annual output, not substantially altering Dalgety's 10 per cent market share.

Hunting Petroleum paying £2.25m for Finnigans Paints

Hunting Petroleum Services has agreed to acquire Finnigans Specialty Paints in a cash and debentures deal worth about £2.25m.

The deal is subject to the receipt by Finnigans of certain taxation clearances.

Hunting has agreed to pay for Finnigans with £550,000 in cash, 750,000 ordinary Hunting shares, and £500,000 3 per cent guaranteed unsecured debentures repayable in two equal instalments in June 1984 and 1985.

A company statement said the purchase was intended to extend Hunting's existing businesses in building and marketing lubricating oil.

Finnigans, based in Prudhoe, Northumberland, makes anti-corrosion sealants and an enamel paint.

Net assets of Finnigans at the end of March were disclosed as £564,182. In the financial year ending on June 30 last year, the

company earned pre-tax profits of £556,242. In the first nine months of the current financial year, profits have risen to £715,288, the company said.

Hunting has promised to ensure employment to all Finnigans' employees for a minimum of three years.

LMI IN JOINT SA VENTURE

London and Midland Industries (LMI) has entered into an agreement with South African concern Murray and Roberts Holdings (M&R), which will result in LMI's South African and Australian subsidiaries, Greenings SA and Hunter Wire Products, being merged with a subsidiary of M&R, Berrmann Securities Manufacturing.

The merger will take the form of a jointly-owned South African holding company, Hardware Industries Investment, and both LMI and M&R will take a 50 per cent interest.

Pentland Court move rejected

EDINBURGH-BASED Pentland Investment Trust, which is currently trying to fund off a takeover by the Throgmorton Trust, yesterday had an application rejected by the Scottish Court of Session.

The court of session, which is the highest court in Scotland, rejected the application for an order restraining the Throgmorton Trust from registering the shares of which it has recently won control.

Pentland's managers pointed out that one of the statements made by Throgmorton in its literature to Pentland shareholders, relating to the stamp duty payable if Pentland's counter-proposals were accepted, was wrong.

Throgmorton had claimed that this would have had no significant effect on the decision of Pentland shareholders to accept its bid.

Throgmorton has already won control of over 49 per cent of Pentland shares and has extended its offer until next week.

The court, which two weeks ago granted an interim restraining Throgmorton from repeating the misleading statements,

declined to issue a further interdict against Throgmorton.

GEO. BRAY AND CO. U.S. JOINT VENTURE

Geo. Bray and Co., domestic gas appliance burner manufacturer, and Burner Systems International Inc. of the U.S., have agreed in principle, to set up a new joint venture company in the U.S. The new company will initially import and subsequently manufacture Bray's range of European style gas burners for sale within the U.S.

Bray is a subsidiary of Geo. Bray and Co. (Holdings), a private group based in Leeds, while Burner Systems is a subsidiary of a U.S. private group, based in Chattanooga, Tennessee.

BTG IN BUYOUT

British Technology Group says that Oakwood Loan Finance, part of its small companies division, has sold its 16 per cent

equity option in Hytec Microsystems, to the Hytec shareholders.

This is the first option sale negotiated by Oakwood. Its investment in Hytec was completed in July 1982 when it purchased a £40,000 loan with an option on 16 per cent of Hytec's equity. It has been realised at a price of £1.5m.

Oakwood has committed £2m to 42 small companies, most of which are engaged in innovative businesses.

APV SWISS DEAL
APV Holdings has acquired a private company, Gebrüder Ott AG, which has its own manufacturing facilities, has represented APV International in Switzerland for many years.

SMITHS INDOS.
Smith Industries has acquired a 25 per cent shareholding in Xionics for an initial consideration of £600,000. Xionics is involved in high integrity information systems.

ANDERSON STRATHCLYDE

Central Mining & Investment Corporation says that as sufficient acceptances to its offer for Anderson Strathclyde have been received it will, in due course, acquire compulsorily any outstanding shares. Meanwhile, its offer remains open for acceptance until further notice.

AUTOMATED SEC/SCANTRONIC

Automated Security (Holdings) has exchanged contracts for the acquisition of 50 per cent of Scantronic, the largest UK manufacturer of digital communication equipment for central station alarms.

BALTIC LEASING

Baltic Leasing Group has revised its profit forecast for the year ended July 31 1983 to £1.5m, from £1.2m.

BANK RETURN

Wednesday May 11 1983 Increase (+) or Decrease (-) for week

BANKING DEPARTMENT

	£	£
Liabilities		
Capital	14,532,000	—
Public Deposits	37,431,464	—
Bankers Deposits	5,185,708	—
Reserve and other Accounts	2,053,980,198	—
	2,643,699,390	—
Assets		
Government Securities	446,761,952	—
Advances & other Accounts	1,253,935,915	—
Premises Equipment & other Secs.	939,219,595	—
Notes	1,680,161	—
Other	160,161	—
	2,643,699,390	—

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes issued	11,140,000,000	—
In Circulation	11,136,874,909	—
In Banking Department	3,125,091	—
Assets		
Government Debt	11,015,100	—
Other Government Securities	4,094,158,294	—
Other Securities	7,034,795,646	—
	11,140,000,000	—

legrand

Consolidated income up 12.3%
Total dividend up 14.6%

The Board of Directors met in Limoges on 13 April 1983 to approve the financial statements for 1982.

Consolidated figures (in Frs. million)*

	1982	1983	%
Sales	2,841.8	2,676.2	+14.8%
Post-tax earnings (Group share)	150.3	133.8	+12.3%
Cash flow (funds provided from operations)	307.3	283.0	+8.6%
Sales abroad totalled Frs. 838 million, representing 29.5% of total sales.			
Capital expenditures and investment totalled Frs. 315 million (11% of sales), of which industrial spending alone accounted for Frs. 258 million.			

These results have led the Board to propose to the Annual General Meeting (to be held in Limoges on 20 June 1983) to increase the dividend per share from Frs. 44 to Frs. 50. The total dividend will thus rise by 14.6% to Frs. 46.4 million. An interim dividend of Frs. 22 having been declared in January, the final dividend of Frs. 28 will be made payable as from July.

Furthermore, shareholders are reminded that an Extraordinary General Meeting has also been convened in Limoges, on 16 May 1983, to, among other things, authorise the Board to issue a maximum of 200,000 non-voting preference shares carrying an annual dividend equivalent to 160% of the ordinary dividend, and in any case not less than Frs. 50.

Legend S.A.'s sales for the first quarter of 1983 are 11% up on the corresponding period last year (after allowing for changes in the Group's structure), making a rise in volume of approximately 3%.

* All figures exclude the subsidiaries Planet Watcchini et Cie, and Mapelec, which were acquired during the course of the year.

Granville & Co. Limited

(formerly M. J. H. Nightingale & Co. Limited)

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

	1982-83	Company	Price Change	Gross Yield	Fully Paid
142 120	Asa. Brit. Ind. Ord.	151	—	10.0	8.5
156 117	Asa. Brit. Ind. CULS	151	—	10.0	8.5
74 57	Almington Group	32	—	8.1	17.7
148 108	Armstrong Rhodes	38	—	15.4	3.1
327 187	Bardon Hill	327	—	11.4	3.5
148 100	CCl Type Conv. Pms	149	—	15.7	10.5
210 210	Cindie Group	210	—	17.8	8.4
85 47	Dabrowski Services	47	—	6.0	12.8
174 77	Frank Horsell	86	—	8.7	8.2
96 75	Frank Horsell P. Ord 87	86	—	8.7	8.2
83 81	Frederick Parker	82	—	7.1	11.5
65 65	Geopac	64	—	20.0	13.2
100 74	Ind. Precision Castings	76	—	7.3	8.8
170 100	Isla Comp. Prof.	170	—	15.7	8.2
147 84	Jackson Group	147	—	6.4	4.8
223 111	James Burroughs	223	—	8.8	4.2
260 148	Robert Jenkins	148	—	5.7	8.5
12 54	Schroder 'A'	57	—	11.4	10.4
167 110	Torday & Carlisle	110	—	2	11.4
29 21	Unilever Holdings	29	—	5.4	8.8
64 64	Walter Alexander	65	—	17.1	8.5
270 214	W. S. Yates	269	—	17.1	8.5

Prices now available on Prestel page 48146.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any warrants.

THE EDINBURGH INVESTMENT TRUST

(An investment company under section 41 of the Companies Act of 1980, registered in Scotland No. 1383)

Issue to Ordinary shareholders of Warrants

to subscribe for up to
18,295,200 Ordinary shares of 25p each

The Council of The Stock Exchange has admitted the above-mentioned warrants to the Official List.

Particulars of the warrants are available in the Extra Statistical Service, and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 31st May 1983 from:—

Kleinwort, Benson Limited
20 Fenchurch Street
London EC3P 3DB

James Capel & Co.
Winchester House
100 Old Broad Street
London EC2N 1BQ

Rowe & Pitman
City Gate House
39-45 Finsbury Square
London EC2A 1JA

13th May 1983

TALKING KENNING

makes for wide-ranging conversation

Kenning? Been selling British cars since the built-nose Morris and before. Always do me a good BL deal...

Over 40 motor depots round the country—and not only BL...

...that's right—Ford, Audi/VW, Vauxhall, Bedford, Saab, Renault, Fiat... a computerised selection of used cars... Leyland and Ford truck distribution...

...always use Kenning Car Hire when I'm over here—meet me at the airport—over 80 locations—one way hire... chauffeured cars...

Kenning's big choice of makes are a great help with my company's fleet operations—they provide any mix of vehicles we want...

Our partnership only runs three cars—Kenning's tailored a special contract hire deal to suit...

...don't forget fuel too! Kenning handle BP products—and they have nearly 130 petrol stations...

Kenning have one of the biggest tyre businesses in the country too—and they're sole distributors of John Bull tyres and batteries.

...they installed the central heating in our works... and they do domestic systems as well...

...would you believe a Kenning company built my milk float?

KENNING MOTOR GROUP

There's a lot to be said for it

Head Office: Manor Offices, Old Road, Chesterfield. Tel: 0246 77241
At over 300 locations in the UK and overseas.

Franchises: ● Rolls Royce ● Bentley ● Austin Rover ● Ford ● Hyundai ● Renault ● Saab ● Vauxhall ● Opel ● Audi/VW ● MAN/VW ● Peugeot/Talbot ● Fiat ● Citroën ● W & E Electric Vehicles ● Triumph ● Jaguar ● Daimler ● Daimler Limousine ● Land Rover ● Range Rover ● Sherpa ● Leyland ● Leyland Vehicles ● Bedford ● Freight Rover ● Ford Commercial.

Specialised Services include: Car, Van & Truck Hire; Long Term Contract Hire; Tyre & Exhaust Fitting; Motor Parts & Accessories; Service; Remould Tyres; Concessionaires for John Bull Tyres; Fuel and Lubricant Distribution; Domestic & Commercial Heating Installation; Coachwork; Road Tanker & Electrical Vehicle Manufacture; Motorway Services; Insurance; Travel; Driving Schools.

They build road tankers too—and special bodies for trucks and vans...

Hey—I stopped at a Motorway Service Area yesterday—run by Kenning!

Kenning Insurance Brokers arranged my car policy—then I found they can do the lot—personal, household, property, holidays...

Holidays! Kenning's even have a travel agency!

THE IMPERIAL COLD STORAGE AND SUPPLY COMPANY LIMITED

(Incorporated in the Republic of South Africa)

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 MARCH 1983

CONSOLIDATED PROFIT

The unaudited consolidated results of the Group for the six months ended 31 March 1983 are stated below. The Company last year changed its financial year end to 30th September and consequently it is not possible to give comparable figures for the corresponding six month period October/February 1982. The results for the last full financial year ended 28th February 1982 and the seven month period ended 30th September 1982 are stated.

	6 Months ended	7 Months ended	12 Months ended
Turnover	537 665	549 097	917 521
Group operating profit before life and interest	21 178	19 787	44 894
Life adjustment	237	2 202	7 832
Interest paid	6 631	5 968	7 235
Dividends from investments	14 258	11 617	29 524
Group profit before taxation	14 810	12 784	32 181
Taxation	6 368	5 583	10 320
Group profit after taxation	8 442	7 181	21 361
Preference dividend	28	28	55
Attributable to:			
—outside shareholders	1 553	2 369	4 250
—ordinary shareholders of The Imperial Cold Storage and Supply Company Limited	6 889	4 812	17 111
Number of ordinary shares upon which earnings per share is based	26 938 956	26 301 456	26 301 456
Earnings per ordinary share	25.5c	18.4c	64.8c
Dividends per ordinary share	8c	12c	20c

CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet at 31st March 1983, together with the audited balance sheets at 30th September 1982 and 28th February 1982 are given below:

	31.3.83	30.9.82	28.2.82
Capital employed	17 123	14 254	14 254
Capital and premium	17 123	14 254	14 254
Non-distributable reserves	1 535	1 535	1 535
Retained surplus	93 635	89 420	88 027
Interest of shareholders of The Imperial Cold Storage and Supply Company Limited	112 293	105 219	103 816
Interest of outside shareholders in subsidiaries	6 924	5 442	6 985
Interest of all shareholders	119 217	110 661	110 781
Long-term liabilities	33 115	43 654	41 554
Deferred taxation	2 938	3 222	3 362
	180 290	157 538	155 697
Employment of Capital			
Fixed assets	137 175	128 154	114 295
Investments	14 233	10 313	10 382
Current assets	180 756	152 285	150 765
Current liabilities	(151 884)	(133 214)	(119 745)
	180 290	157 538	155 697

Ratios

Current assets to current liabilities

Total liabilities to total shareholders' funds

Total borrowings to total shareholders' funds

Commitments

Capital Expenditure

Contracted

Authorised but not contracted

Amounts outstanding under lease agreements

UK COMPANY NEWS MINING NEWS

Lloyds & Scottish ahead after buoyant first half

A MORE buoyant market and lower cost of money has contributed to an improved performance at Lloyds & Scottish for the six months to March 31, 1983. Pre-tax profits for the period rose from £5.5m to £10.6m. Profits for the whole of the previous year were £10.7m.

Mr G. Duncan, the chairman, says that at the end of the half-year, proceeds from a rights issue amounting to £71.5m were received. The additional funds will ensure that the group, a subsidiary of Lloyds Bank, can continue to expand its business from a sound capital base.

He adds that while the high level of provisions for bad debts have a significant impact on profitability, recent reductions in interest rates are helpful and current new business volumes are satisfactory.

The interim dividend is reduced from 1.5p to 1p net, last year's total was 3.5p, and stated earnings per 20p share have improved from 3.56p to 5.15p.

First half tax was up from £2.0m to £2.4m. Minority interests took £1.06m compared with £1.87m, and after extraordinary debits this time of £2.0m, attributable profits came out at £2.1m against £4.2m. Dividends absorbed £1.57m (£2.25m), leaving retained profits lower at £1.23m (£2.01m).

The extraordinary debit comprised provisions for the anticipated loss on cessation of a business and on disposal of a subsidiary and other trading interests, after tax relief of £637,000.

Mr Duncan points out that during the first six months period, the group's UK factoring companies, Alex Lawrie Factors

and International Factors, became wholly-owned subsidiaries following the acquisition from the First National Bank of Boston of its 25 per cent holding in these companies. Together, they account for about 30 per cent of the factoring market and have considerable scope for further development.

On April 28, House of Clydesdale, the electrical goods retailing company in Scotland, was sold to a group of institutional investors, with the managers of the company taking a share of the equity.

The integration of Bowmaker and Hamilton into the group is progressing well, he says, and the new Lloyds Bowmaker Finance Group will become fully operational later in the year, providing an opportunity for further growth in the group's main markets of instalment credit and leasing.

Amax now sees the way ahead

BY KENNETH MARSTON, MINING EDITOR

AMTD the chandeliered elegance of London's Goldsmiths' Hall yesterday Mr Pierre Gosseland, chairman of the major U.S. diversified natural resource group, Amax, left his audience in no doubt about his conviction that Amax "is making a comeback" in line with the gathering world economic recovery.

The pace of the U.S. recovery "is, perhaps," more modest than we would wish, but there is no doubt that recovery is under way," he said. "Most economic indicators pointed to the recovery gaining momentum throughout the rest of this year and in 1984."

U.S. industrial production, said Mr Gosseland, has risen for four consecutive months, inflation remained under control and the liquidation of stocks "seems to be just about over."

Amax is the major world producer of the steel industry metal, molybdenum, and for that with the continued depression in that industry all the Amax molybdenum mines remain closed down, as are most of the rest in the world; total U.S. production of the metal amounts to only 20 per cent of capacity at the moment.

The price of the metal has improved to around \$4 per lb (believed to be about broken-even for Amax which is a low-cost producer) from a low in December of \$2.35. But the improvement reflects production cuts coupled with the general speculative buying of all metals rather than any recovery in consumer demand from the alloy-steel companies.

Still, Amax hopes to be able to open part of its molybdenum mining capacity sometime next year. It still appears to be facing a long haul to the earning of significant profits from this metal. In the meantime, however, the company feels that it is well placed to make the most of the economic recovery as a result of its ongoing austerity programme.

Thanks to fixed sales contracts, its big coal business is earning good profits, while the oil and gas, aluminium and silver operations are also doing well. The company has been making operating profits before tax during the past seven months and it seems possible that there will be a net profit before the year is out.

Like most of the natural resource industry, however, it will be next year before the company can again get back into its stride and, of course, there are big debts to be paid off.

So the recovery process is going to take two or three years during which Mr Gosseland expects to see "improvements in (U.S.) housing and construction, increased consumer spending for durable goods and stronger capital investment as well as defence spending. These will mean a substantial increase in domestic consumption of minerals and metals."

But all is not yet plain sailing for Amax which lost a net \$48.7m (£31.1m) in the first quarter of this year, albeit reduced from the \$94.4m loss recorded for the previous three months. Mr Gosseland was not to be drawn on when the company would return to profits but he said that "we firmly believe the worst is behind us."

He also pointed to signs of a revival of capital spending and rising orders for non-defence goods and machine tools, together with growing strength in the housing and automotive markets.

The oil rig count for the week ended April 25 was the best for over a year. "If this upward trend continues, the metals industry will obviously benefit, although not immediately," said Mr Gosseland who added that the U.S. recovery would spread to Europe and the Far East.

He said that according to the Conference Board, "the leading growth rate indicators for the seven Western industrialised countries now are all positive. This is the first time that this has happened since August 1981." He also pointed to a favourable economic environment for the mining and metals industry.

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Stainless Metalcraft for USM via offer for sale

BY DOMINIC LAWSON

Stainless Metalcraft, a manufacturer of stainless steel high precision equipment and components, is coming to the Unlisted Securities Market by way of an offer for sale of 3.5m shares at 120p each.

No money is being raised, all the shares being sold by the controlling Childs family for £2.5m after expenses. At the placing price Stainless Metalcraft will be capitalised at £6m.

The group, which was incorporated in 1964, forecasts that it will make £250,000 pre-tax for the year to August 1983, although it points out that "a figure will include 'exceptional currency profits'."

In 1978 it made almost £400,000, a figure that was not exceeded until 1980. The following year profits slumped to £125,000, but in 1982 the group turned in a record £295,000, though that included exceptional currency profits of £157,000.

At the placing price Stainless Metalcraft is a prospective fully taxed p/e of 14.7, and will yield 5 per cent on the prospective dividend.

One main reason for the recent growth is that the group became a major supplier to Oxford Magnet Technology, a subsidiary of Oxford Instruments, of components for Oxford's range of superconducting cryogenic magnets. These are the central component in the development of Nuclear Magnetic Resonance imaging technology, which is of particular application in the field of body scanners.

Mr Simon Knott, senior partner of brokers to the issue, Greene and Co, and non executive chairman of Stainless, said yesterday: "I am assured that Oxford too will be coming to the

stock market, probably for a full listing."

Each of the underwriters to the offer will be entitled to apply for 50 per cent of the shares underwritten by it at 120p each, ensuring that institutions will hold, initially, about 50 per cent of the equity. After the offer for sale the Childs family (one of whom, Mr Christopher Childs, is chief executive) will hold about a third of the equity.

Application lists open on May 20 and dealings should start one week later.

comment

Stainless Metalcraft has found a neat way around the new issue rules. The usual USM placing method was ruled out because of the large size of the issue, so instead half of the offer is effectively retained by Greene and Co for its institutional clients. Still, the extent to which the Childs family is cashing in its chips ensures that private investors will still have a reasonable chunk of the equity to pitch for. Originally the family had offered the whole business for sale, so in the long run the Childs' remaining 33 per cent stake in the equity can be seen as overvaluing the market. Though basically an engineering company, last year's pre-tax margins of over 20 per cent (helped by exceptional currency profits) go a long way to justifying the rating put on the shares. In addition there is a prospective 5 per cent yield. Stainless makes great play of its involvement in the field of nuclear magnetic resonance. That one contract may be very lucrative, but it should be noted that it contributes about 40 per cent of turnover and profits and can be terminated at three months notice.

Higher surplus by Warner Estates Hds.

Higher pre-tax profits of £1.22m against £981,000 were shown by Warner Estates Holdings for the six months to the end of March 1983. Turnover of this property investor improved from £3.5m to £4.4m.

The net interim dividend has been lifted from 3.5p to 4p with earnings per 25p share shown as rising from 4.25p to 5.79p.

Attributable profits emerged ahead from £494,000 to £634,000 after tax took £276,000 (£295,000), and minorities came to £5,000 (£11,000).

NOTICE OF REDEMPTION BY THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

To the Holders of Debentures Payable in
lawful money of the United States of America
Of the Issue Authorized by
By-law Number 75 of 1982
U.S. \$40,000,000 (40 million) Debentures 1987
Issued June 15, 1982
due June 15, 1987

Amount Redeemable June 15, 1983—U.S. \$2,756,000

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

NOTICE IS HEREBY GIVEN that, pursuant to the requirements of subsection 17.1 of the Act, the Regional Municipality of Ottawa-Carleton is obliged to redeem and pay the principal amount of each Debenture plus accrued interest to the redemption date.

COUPON BEARING DEBENTURES TO BE REDEEMED IN FULL EACH IN THE DENOMINATION OF U.S. \$1,000 AND BEARING THE FOLLOWING NUMBERS:

00019	00024	00027	00043	00045	00051	00053	00058	00070	00075	00078	00079	00081	00082	00083	00084	00085	00086	00087	00088	00089	00090	00091	00092	00093	00094	00095	00096	00097	00098	00099	00100	00101	00102	00103	00104	00105	00106	00107	00108	00109	00110	00111	00112	00113	00114	00115	00116	00117	00118	00119	00120	00121	00122	00123	00124	00125	00126	00127	00128	00129	00130	00131	00132	00133	00134	00135	00136	00137	00138	00139	00140	00141	00142	00143	00144	00145	00146	00147	00148	00149	00150	00151	00152	00153	00154	00155	00156	00157	00158	00159	00160	00161	00162	00163	00164	00165	00166	00167	00168	00169	00170	00171	00172	00173	00174	00175	00176	00177	00178	00179	00180	00181	00182	00183	00184	00185	00186	00187	00188	00189	00190	00191	00192	00193	00194	00195	00196	00197	00198	00199	00200	00201	00202	00203	00204	00205	00206	00207	00208	00209	00210	00211	00212	00213	00214	00215	00216	00217	00218	00219	00220	00221	00222	00223	00224	00225	00226	00227	00228	00229	00230	00231	00232	00233	00234	00235	00236	00237	00238	00239	00240	00241	00242	00243	00244	00245	00246	00247	00248	00249	00250	00251	00252	00253	00254	00255	00256	00257	00258	00259	00260	00261	00262	00263	00264	00265	00266	00267	00268	00269	00270	00271	00272	00273	00274	00275	00276	00277	00278	00279	00280	00281	00282	00283	00284	00285	00286	00287	00288	00289	00290	00291	00292	00293	00294	00295	00296	00297	00298	00299	00300	00301	00302	00303	00304	00305	00306	00307	00308	00309	00310	00311	00312	00313	00314	00315	00316	00317	00318	00319	00320	00321	00322	00323	00324	00325	00326	00327	00328	00329	00330	00331	00332	00333	00334	00335	00336	00337	00338	00339	00340	00341	00342	00343	00344	00345	00346	00347	00348	00349	00350	00351	00352	00353	00354	00355	00356	00357	00358	00359	00360	00361	00362	00363	00364	00365	00366	00367	00368	00369	00370	00371	00372	00373	00374	00375	00376	00377	00378	00379	00380	00381	00382	00383	00384	00385	00386	00387	00388	00389	00390	00391	00392	00393	00394	00395	00396	00397	00398	00399	00400	00401	00402	00403	00404	00405	00406	00407	00408	00409	00410	00411	00412	00413	00414	00415	00416	00417	00418	00419	00420	00421	00422	00423	00424	00425	00426	00427	00428	00429	00430	00431	00432	00433	00434	00435	00436	00437	00438	00439	00440	00441	00442	00443	00444	00445	00446	00447	00448	00449	00450	00451	00452	00453	00454	00455	00456	00457	00458	00459	00460	00461	00462	00463	00464	00465	00466	00467	00468	00469	00470	00471	00472	00473	00474	00475	00476	00477	00478	00479	00480	00481	00482	00483	00484	00485	00486	00487	00488	00489	00490	00491	00492	00493	00494	00495	00496	00497	00498	00499	00500	00501	00502	00503	00504	00505	00506	00507	00508	00509	00510	00511	00512	00513	00514	00515	00516	00517	00518	00519	00520	00521	00522	00523	00524	00525	00526	00527	00528	00529	00530	00531	00532	00533	00534	00535	00536	00537	00538	00539	00540	00541	00542	00543	00544	00545	00546	00547	00548	00549	00550	00551	00552	00553	00554	00555	00556	00557	00558	00559	00560	00561	00562	00563	00564	00565	00566	00567	00568	00569	00570	00571	00572	00573	00574	00575	00576	00577	00578	00579	00580	00581	00582	00583	00584	00585	00586	00587	00588	00589	00590	00591	00592	00593	00594	00595	00596	00597	00598	00599	00600	00601	00602	00603	00604	00605	00606	00607	00608	00609	00610	00611	00612	00613	00614	00615	00616	00617	00618	00619	00620	00621	00622	00623	00624	00625	00626	00627	00628	00629	00630	00631	00632	00633	00634	00635	00636	00637	00638	00639	00640	00641	00642	00643	00644	00645	00646	00647	00648	00649	00650	00651	00652	00653	00654	00655	00656	00657	00658	00659	00660	00661	00662	00663	00664	00665	00666	00667	00668	00669	00670	00671	00672	00673	00674	00675	00676	00677	00678	00679	00680	00681	00682	00683	00684	00685	00686	00687	00688	00689	00690	00691	00692	00693	00694	00695	00696	00697	00698	00699	00700	00701	00702	00703	00704	00705	00706	00707	00708	00709	00710	00711	00712	00713	00714	00715	00716	00717	00718	00719	00720	00721	00722	00723	00724	00725	00726	00727	00728	00729	00730	00731	00732	00733	00734	00735	00736	00737	00738	00739	00740	00741	00742	00743	00744	00745	00746	00747	00748	00749	00750	00751	00752	00753	00754	00755	00756	00757	00758	00759	00760	00761	00762	00763	00764	00765	00766	00767	00768	00769	00770	00771	00772	00773	00774	00775	00776	00777	00778	00779	00780	00781	00782	00783	00784	00785	00786	00787	00788	00789	00790	00791	00792	00793	00794	00795	00796	00797	00798	00799	00800	00801	00802	00803	00804	00805	00806	00807	00808	00809	00810	00811	00812	00813	00814	00815	00816	00817	00818	00819	00820	00821	00822	00823	00824	00825	00826	00827	00828	00829	00830	00831	00832	00833	00834	00835	00836	00837	00838	00839	00840	00841	00842	00843	00844	00845	00846	00847	00848	00849	00850	00851	00852	00853	00854	00855	00856	00857	00858	00859	00860	00861	00862	00863	00864	00865	00866	00867	00868	00869	00870	00871	00872	00873	00874	00875	00876	00877	00878	00879	00880	00881	00882	00883	00884	00885	00886	00887	00888	00889	00890	00891	00892	00893	00894	00895	00896	00897	00898	00899	00900	00901	00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PROPERTY IN SCOTLAND — FINANCIAL TIMES REPORT

Scotland's three main cities Glasgow, Edinburgh and Aberdeen have their individual sectors of activity in the property market despite the overall industrial decline.

SDA reappraises needs

By MARK MEREDITH, Scottish Correspondent

INDUSTRIAL DECLINE in Scotland tends to dull the overall property market picture. Although not at the bottom of the unemployment league, viewed as a whole, Scotland is still going through the long and painful process of shedding some of its heavy industries. The impact of this overhangs the gains made in new industrial areas.

The uncertainty surrounding the future of the Ravenscroft steel works and the threat of heavy redundancies in the shipbuilding industry preoccupy public and private sector alike. But worth noting amid all this are the property movements in Scotland's large urban centres, Glasgow, Edinburgh and Aberdeen. Each city is vastly different in character and each has something of special interest to the property developer.

New life in the offshore oil industry in Aberdeen, strong service sector growth in Glasgow and activity in the hotel market in Edinburgh are among the features.

But development of considerable importance to the property market over the next 12 months is likely to be found in the industrial property area. The country's main industrial landlord, the Scottish Development Agency, has just embarked on a searching reappraisal of its approach to a market which it has for years dominated—the advance factory unit.

The SDA is likely to consider the effectiveness of laying down an adequate supply of factory space to meet the demand of companies moving in from outside Scotland and of new indigenous industry.

Another fundamental consideration of the review is likely to be how to reactivate private sector interest in the economy.

Private sector developers have to a large extent allowed the SDA to take over the industrial property market, but recent experience has shown that if conditions are right, the private developer may be ready to move back into this area.

Attracting the private sector back would bring a significant change in a market which has not really figured substantially in the property scene in terms of rents and returns for many

years. Private sector interests have recently shown they are ready to join in the proposed Scottish Exhibition Centre in Glasgow through a scheme giving them an equity preference in a joint management company for the project.

Another area where the property market may show signs of movement could be in forest property. Both private and public sectors have joined in a concerted effort to develop the Scottish wood products industry and tap Europe's last uncommitted forest reserve.

The combination of increased potential demand and the maturing woodland to meet it, plus a Forestry Commission undertaking to sell off a good slice of its woodland, will generate considerable attention.

The region has fostered one of Europe's strongest concentrations of electronics industries, employing about 40,000 people. This has brought with it a proliferation of indigenous support industries all with their special requirements for factory space, offices and homes.

Glasgow is showing a gradual but striking transformation. The motorway cut through the middle of the city has encouraged the gradual growth of office and hotel blocks in the

neglected areas on either side. Instead of an escape route out of the city, the motorway is starting to act as a magnet attracting new property development.

Once there was a concentrated effort to relieve the overcrowded east end slums of the city, but the trend is now reversed. Urban renewal programmes in the east end and the proposals for the exhibition centre at Queens Dock, as well as new office and shopping complexes downtown illustrate this life moving back into the city.

Having been a centre for large industries, Glasgow is taking on the shape of an important service centre with the Britoil headquarters, two big hotels, expanded Ministry of Defence offices all bearing this out.

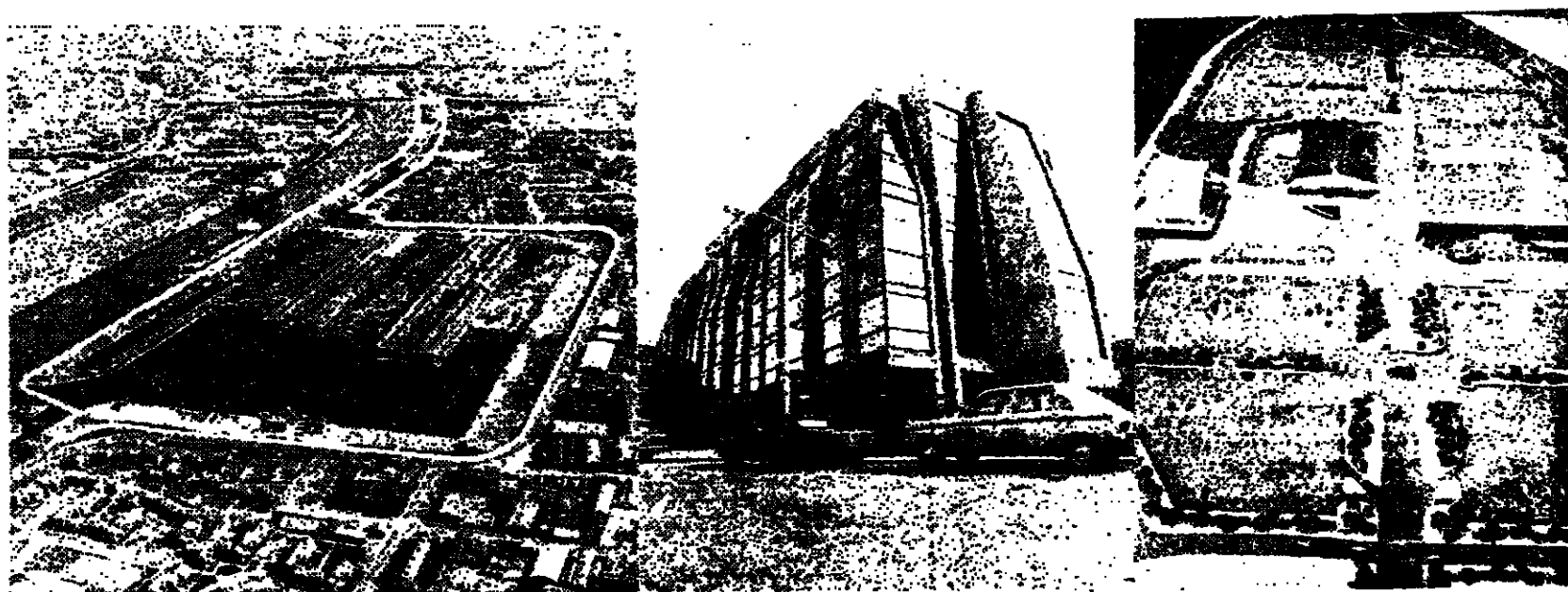
In Edinburgh, the capital and financial centre of Scotland, the demand for quality apartments is such that a number of old hotels have been bought for conversion.

(This is considered more closely elsewhere.)

In Aberdeen, after a lean winter when offshore oil activity was slack, the budget stimulus to new exploration is expected to bring industrial activity and with it a sustained demand for property.



Artist's impression of the Britoil headquarters in Glasgow.



The Princes Dock site which the Clyde Port Authority plans to redevelop for private housing; centre: Fountain House, Charing Cross; and a model of the proposed Scottish Exhibition Centre.

Office sector thrives in Glasgow

By JUDITH HUNTLEY

GLASGOW, Scotland's largest city, is undergoing a metamorphosis reflecting the changing times in which we live. Once the booming industrial heart of the country's heavy industries like shipbuilding and engineering, the city is fast turning into an active and thriving service centre. Glasgow has long been renowned for its fine Victorian buildings, increasingly recognised as one of its most valuable assets, and these are forming the heart of the city's changing fortunes.

Glasgow's planners are now keen to retain the city's Victorian heritage and it is in these buildings that demands from developers and tenants alike for prime office space, is at its strongest. Glasgow's prime office area is centred around St Vincent Street, West George Street and Bothwell Street, where conservation policies are very strict, making one would assume, the developer's life a harder one. However, confidence in the office market seems to abound with a string of schemes underway or in the pipeline and a recent top flight letting which set a new rent trend.

The letting which set the market astir earlier this year was Commercial Union taking

UK Temperance and General Provident Institution's 37,500 sq ft building at 122 St Vincent Street at £8.75 a sq ft. Many agents in Glasgow are hoping to see the £7 a sq ft barrier broken this year with some optimistic enough to hope for the magical figure of £8.

These encouraging rents however, only look like being achieved on the very best offices in the most sought after locations and agents agree it is still a tenants' market.

Knight Frank and Rutley estimate there is about 150,000 sq ft of offices being built in Glasgow with another 400,000 sq ft due to start this year. But high quality new or refurbished space in the heart of the city's prime area may still be in short supply.

Attractiveness

An indication of the commercial attractiveness of Glasgow's office market can be seen in some recent deals. Electricity Supply Nominees bought the Stenhouse building at 145 St Vincent Street for a yield of 4.5 per cent at the end of last year and General and Municipal Workers' Union purchased Fountain House, Charing Cross,

not a prime location, for a yield of 6.5 per cent.

Fountain House, developed by Melville Dundas and Whitson, attracted much criticism from the Scottish Royal Fine Arts Commission which described it as "a monument to the failure of civic planning and architecture." The Commission said "its expensive materials cannot distract from its objectionable form." However, it has not deterred tenants, including the union itself, Rothschild and the Clydesdale Bank which is paying £5 a square foot for space.

Mountleigh Estates has paid what is believed to be close on £1m for the former Arts School building in Blythswood Square. Arrowcroft won the original bid for the building but pulled out of the deal and Mountleigh stepped in on the next round.

By far the biggest and possibly the most controversial evidence of Glasgow's importance as a service centre can be seen from the decision to go ahead with a massive 600,000 sq ft headquarters for Britoil. The Government has given its blessing to the project which also has approval from the planners. The sheer scale of the development in St Vincent Street

has caused cries of protest from conservationists. The Royal Fine Arts Commission is strongly opposed to its design which it says adversely affects important church buildings. Phase one of the Britoil headquarters will have 400,000 sq ft and there will be a gradual phasing of staff from its existing Glasgow offices once it is underway.

In the pipeline

Mixed office and retail schemes are also in the pipeline for Glasgow, a further indication of the confidence investors have in the service function of the city. Development Commercial and Industrial has forward funded its 104,000 sq ft office and retail scheme in Argyle Street with two of the seven office floors pre-let. The scheme is costing £12m to develop and will have 74,000 sq ft offices with 19,000 sq ft of shopping on the ground floor.

The hottest news on the retail front is the future of two rival major shopping proposals. Two councils are at loggerheads over the schemes, one of which has the blessing of the Secretary of State. So far the other does not.

Standard Life is heading a consortium to develop 300,000 sq ft of shopping in Buchanan Street on a site owned by Glasgow council. On the other hand, the Scottish Development Agency wants to build 275,000 sq ft of retailing, 80,000 sq ft of offices and a 250-bed hotel on the former St Enoch station site.

The city is divided in its views over the merits of both schemes over their commercial viability. Some agents feel that the St Enoch scheme is not big enough to accommodate a large department store.

The Buchanan Street plan could take in the requirements of one large store as well as other shopping and it is rumoured that John Lewis is looking for a site in Glasgow.

Others in the city take the view that the St Enoch scheme is in a better location but that it needs a great deal of work to make it stand up and are doubtful over its funding.

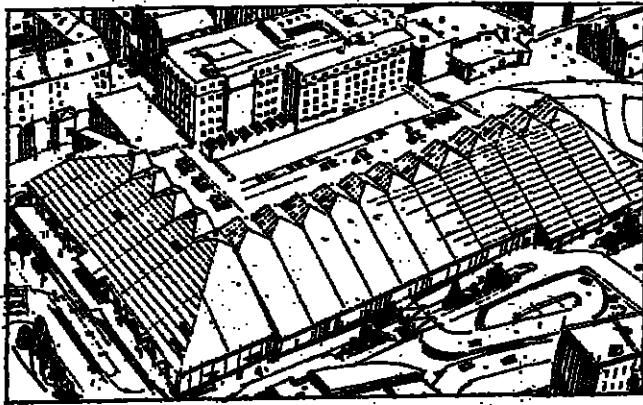
The situation now is that Standard Life, heading the consortium comprising City of London and European Property, and Société des Centres Commerciaux, has an appeal against

CONTINUED ON NEXT PAGE

RICHARD ELLIS BRING REAL EXPERIENCE TO RETAILING IN SCOTLAND.

ST. ENOCH SQUARE DEVELOPMENT GLASGOW

Richard Ellis are acting as Development Consultants to the Scottish Development Agency for the ideally located St. Enoch Development, Glasgow which, on completion, will comprise a fully enclosed shopping centre of approximately 265,000 sq ft together with an hotel, leisure facilities and multi-storey car parking.



ST. ENOCH DEVELOPMENT GLASGOW

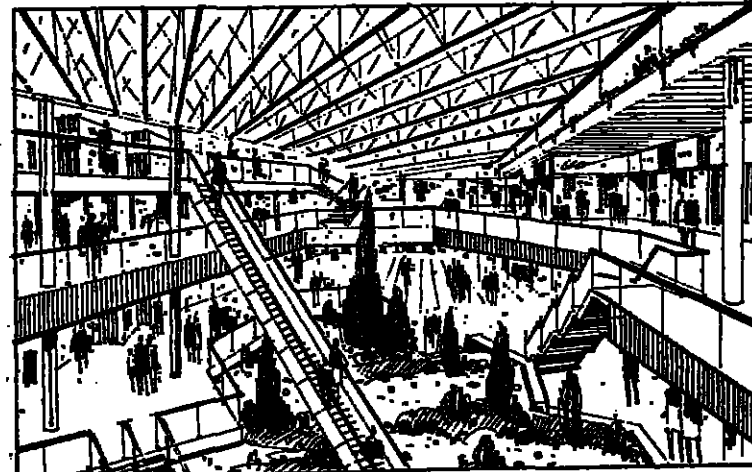
THE GOVAN CROSS SHOPPING CENTRE GLASGOW

The Centre comprises a Supermarket of 21,000 sq ft together with 23 shop units, offices and extensive car parking being located in an important area on the south side of Glasgow. Richard Ellis advised I C F C Developments throughout, who are carrying out the Development in conjunction with the Cruden Group. Richard Ellis appointed as joint sole letting agents.



THE GOVAN CROSS SHOPPING CENTRE GLASGOW

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WAVERLEY MARKET DEVELOPMENT EDINBURGH

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ST. JOHN'S SQUARE DEVELOPMENT PERTH

Richard Ellis are acting as Development Consultants to Perth and Kinross District Council in respect of a proposed 100,000 sq ft centrally located and fully enclosed shopping centre providing some 40 shop units with multi-storey car parking facilities.



ST. JOHN'S SQUARE DEVELOPMENT PERTH

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PROPERTY IN SCOTLAND — 2

Edinburgh gloom begins to lift

By JUDITH HUNTLEY

GLEAMS OF LIGHT could be appearing in the what has been a gloomy prospect for the office market in Edinburgh, Scotland's political and financial capital. The city has had its share of publicity on the much-vaunted over-supply of offices which it has suffered for several years.

Since the late Seventies large amounts of surplus space have meant limited rental growth with only the best properties performing well. However, things appear to be changing with local pundits on the property scene feeling more optimistic.

In November of last year, Jones Lang Wootton were saying there was still 800,000 sq. ft. of vacant office space in Edinburgh. Almost half of it was in the central area of the city around George Street, in the West End and the New Town. The central area space tends to be in Edinburgh's beautiful Georgian buildings, once smart town houses for the rich. The rest of the space is in large new office blocks just outside the central area or even further out.

The agents said that the volume of lettings in Edinburgh last year was disappointing but considering the state of the economy, not entirely unexpected. They saw an improvement in lettings in the best located smaller buildings with the public sector, formerly a large space user, still active in the market, even though not to the degree it was some years ago.

Sharp upturn

However, according to the latest report on the market by Kenneth Ryden and Partners, there has been a sharp uplift in the level of inquiries and a slight rise in the amount of space let.

They estimate 132,880 sq. ft. was let in the six months to March this year with another 15,000 sq. ft. on the cards. They also report a greatly increased number of inquiries over the past few months but these have not all been translated into firm deals as yet.

Rents in Edinburgh are still below those in Glasgow and well below those in Scotland's oil

capital, Aberdeen. The top rent achieved in Edinburgh is believed to be in Melville Street at £8.90 a sq. ft. but this figure includes parking space. The true rent is probably nearer £5.50 a sq. ft. with the best small, well refurbished buildings going for about £5 to £5.50 a sq. ft.

On the investment side of the market demand seems to be good for refurbished space in the old attractive buildings with developers paying well for the chance to carry out high quality schemes. However, it is only prime properties that are snapped up quickly at yields of 4.5 per cent as in the case of the Melville Street offices which were sold at that level.

Hillier Parker agree that with rents of £5 a sq. ft. getting to be the norm, institutions see better growth prospects in the city and are prepared to buy well-let, well located good quality space. Investors appear to be taking a less jaundiced view of the market with yields standing at 5 to 5.25 per cent.

Good demand

The agents recently acted for British Telecom in the purchase of the heritable interest in Scottish Equitable's Caltonian House, Canaan Street, for which it paid £3m for the 50,000 sq. ft. building with 65 parking spaces. BT occupies the building at about £240,000 a year. Edward Thorpe and Partners acted for the vendor.

Edinburgh's first major letting for some time was to a public body in the shape of the Housing Corporation which has taken 15,300 sq. ft. in Wimpy Property Holdings' 67,000 sq. ft. Rosebery House, Haymarket. The rent has not been revealed but the developer says talks are under way with another public body to take a further 22,000 sq. ft. The Housing Corporation is moving from two other buildings in the city.

The other recent large letting, 11,340 sq. ft. was to the private health organisation BUPA, which has leased the major part of North British Properties' Municipal Mutual development, Regent House, at the bottom of Dundas Street.

Other agents with their ear to

the ground in the city put the level of enquiries in the market as high as 300,000 sq. ft. with possible takers, the Lothian Health Board and National Giro. As well as an increased level of interest there has been a slight increase in supply with some major developments nearing completion and due to come on the market shortly.

The 18,873 sq. ft. General Accident building in Atholl Street, Grosvenor Developments' 22,000 sq. ft. Sutherland House at the bottom of Dundas Street and Lesser Land's 13,000 sq. ft. refurbishment at Thistle Street, are among them.

It appears southern-based developers are taking a bullish attitude to the market by purchasing developments, negotiations at prices which reflect confidence in future rental growth.

If confidence in the office market is showing distinct signs of coming out of the doldrums, the demand for high quality flats in the city continues unabated. So strong is demand in this sector that some major Edinburgh landmarks are being transformed from their original uses into housing.

The Ritz cinema in Rodney Street, which has been closed for some time, is to be demolished and replaced by 22 flats built on the site. There will be two studio flats and a block of 22 apartments ranging in price, through agents William O'Neill and Partners, from £18,500 to £20,000.

In the fashionable and elegant New Town, the two hotels known as the Craigholm Hotel, Royal Circus, will be converted into flats. The hotels will become high quality homes in the Georgian buildings and will cost £29,500 to £49,500.

Another recent change has been the development of the former Bungy's bar/restaurant into six three-room flats in Fishmarket Close, off the Royal Mile. Prices here are about £25,000 and the scheme includes a bistrot in the basement.

While the residential sector remains buoyant, particularly for homes in the New Town which appeal to the young and professionals, the retail scene in Edinburgh has been having

its problems. Edinburgh's premier shopping street Princes Street, has been having a hard time of late with a high rate of turnover, a downturn in consumer spending and fewer tourists. However there are signs here too that the retail sector could be the first to pick up if the economy shows signs of recovering.

Joint venture

Many agents feel that rents in Princes Street are dropping to a realistic level from artificially high levels some time ago. However, there is no denying that the end result is more shops available and fewer tenants looking to expand.

Princes Street will also be affected by the development of the speciality shopping centre at Waverley Market now underway. Edinburgh council is undertaking the £12m development which is being funded by the two Reed International Pension Funds.

It is a joint venture scheme which is due for completion in the spring of next year. It will have 70,000 sq. ft. of shopping on 3 levels with 50 units round two large courtyards.

The success of the St James Centre continues with demand for units still good and high premiums being paid for space when it comes on the market. The John Lewis store is a major attraction there and the store group plans to double the size of its present store by building an extension.

The future of a major site in Edinburgh will soon be decided when the council picks a successful developer to tackle the Lothian Road site, close to Princes Street. Edinburgh city council asked eight developers to prepare schemes for 250,000 sq. ft. of shopping and a conference centre at Lothian Road and the site is now down to six.

A shortlist of three may soon be selected as the developers have recently been making presentations to the council on the way they would undertake the development. Edinburgh council owns most of the five-acre site which takes in the Glenaege Group's Caltonian Hotel.

Some tricky design and plan-

works are under way. Talks with the housebuilders on the disposal of the land will be dependent on these investigations proving satisfactory and on getting planning permission for the development. The scheme will cost up to £30m, too big for just one developer to take on.

Leech Homes did a feasibility study for the Port Authority which is looking at a variety of ways in which it can capitalise on its asset. It may take a share in any development deal or sell sites freehold. James Barr are the agents for the scheme.

All in all, Glasgow is being rapidly changed from an industrial city to a centre for a healthy office and retail market with major schemes in the pipeline which will add to the city's attractiveness for investors and developers alike.

Judith Huntley is features editor of the Estates Times.



This listed four-storey building in the centre of Edinburgh's Georgian New Town has been carefully restored to provide a self-contained office unit.

ning problems have to be overcome there but the council hopes to see a major conference centre as part of the deal, which it will run and own. The Glenaege Group may extend its hotel and retain its five star status.

The scheme forms part of a larger 13-acre site on which the Sheraton Group plans to build a £18m, 274-bed hotel. Work is due to start shortly.

Sheraton's decision to go ahead with its hotel came at the same time that Hilton said it was pulling out of a £41.6m hotel and mixed scheme at Castle Terrace. All in all things are on the move in Edinburgh with optimistic views about the retail and office markets in Scotland's capital. For investors the fall in the inflation rate, allied with a drop in interest rates, should give private sector activity a boost which will be reflected in both the development and letting markets. There are signs that this is happening.

Some believe a more stable economy will enter in which rent rises will necessarily be less than in recent years forcing yields higher in the short term. However, developers appear to be showing confidence but are as usual going for prime locations and good quality development.



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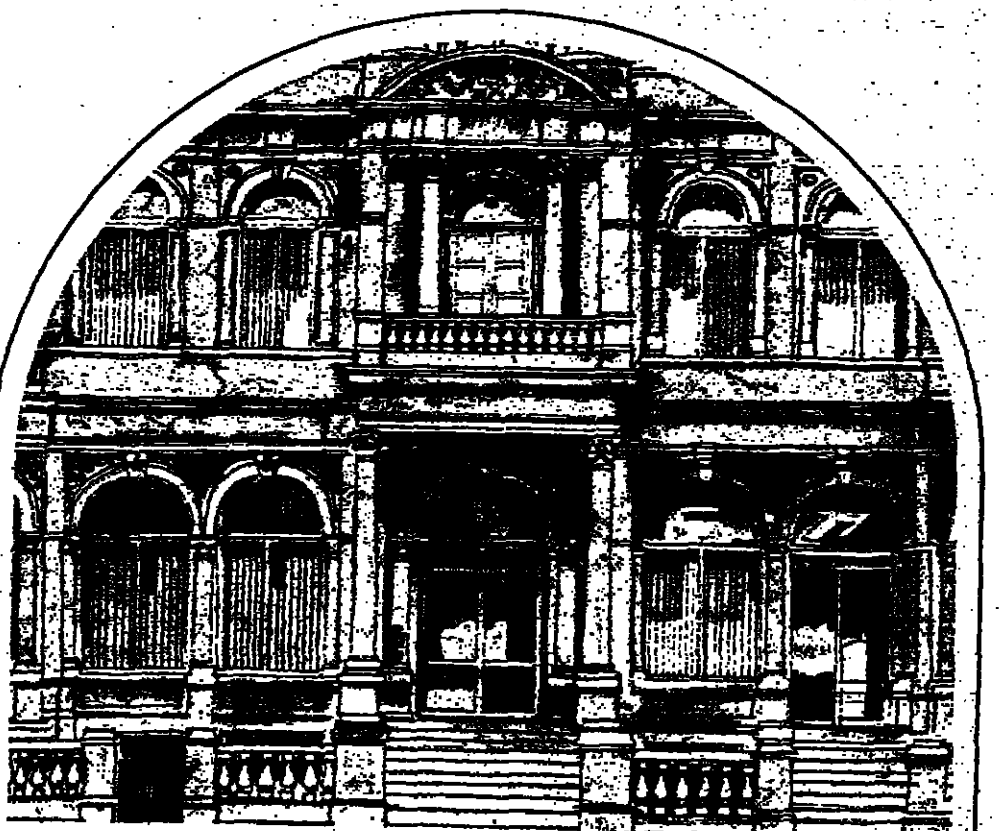
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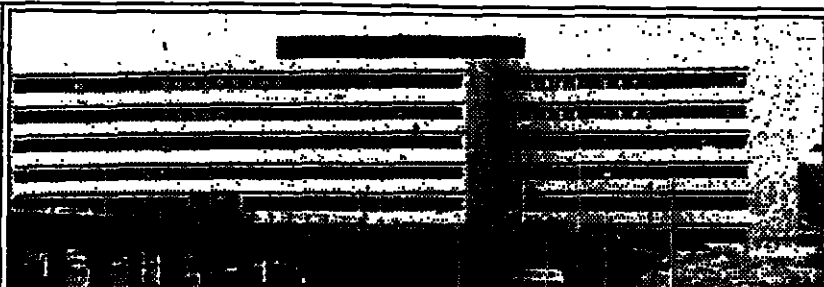
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PROPERTY IN SCOTLAND — 3

Oil keeps Aberdeen buoyant

By MARK MEREDITH

OIL-FIRED prosperity prevails in Aberdeen, Britain's centre for servicing North Sea development, despite the feeling in some quarters that the main oil boom has passed.

The Budget's encouragement for oil exploration offshore spells a likely recovery for many of the downstream industries supplying services and equipment to the offshore operators. There will be a consequent demand for new office and industrial space.

But adapting to the highly competitive oil market has brought eccentricities in the property sector—the emergence of short leases and increasing readiness by companies to press for good property deals rather than take whatever is offered. The presence of the big oil companies has distorted some of the figures in the annual take-up of space as they "devour" large amounts of office space.

After a difficult winter and early spring for the industry there is hope of renewed vigour in exploration and development offshore. But the lead time before an oil company takes the final decision to exploit a new well may run into months. It thus takes time before the property sector feels the effect.

Quarterly review

Grampian Regional Council's quarterly economic review examines the outlook for property as do regular reviews of the Scottish economy by Kenneth Ryden. A regular survey of commercial and industrial property is also issued by agents Drivers Jonas in Aberdeen.

In its March review, Drivers Jonas noted that during some industrial property in the city area had fallen over the previous six months, but annual demand was still stable at about 660,000 sq ft.

The city's industrial estates are dotted around the periphery of the city, which has

large-scale changes to the central area apart from the harbour.

Much of the new speculative development is around the busy airport. Some of this is in anticipation of the city becoming one of the new freeports tentatively planned for Britain.

Drivers Jonas noted that no new developments in industrial space have been completed since August 1982, and the rate in space available to 850,000 sq ft is due to the supply of second-hand units useful for company expansion.

Most sales and lettings are in the medium-size range of 4,000 to 15,000 sq ft. Asking rates for most units vary between £2.30 to £2.60 per sq ft, but short leases can bring in £3.80 per sq ft.

Kenneth Ryden says it is possible to foresee a shortage of industrial space within the city in the medium term as little or

no land is available for purchase on existing industrial estates.

In the office property sector the peak has passed for large take-ups by oil operators and soon the equivalent of four years supply of office space will be available on the market.

A total of 76,000 sq ft of space was let from September 1982 to March 1983, which disappointed estate agents while reflecting the general level of inactivity offshore.

Kenneth Ryden notes that most lets have been small units

of below 1,500 sq ft and most of these have been on short leases of between five and 10 years.

The regional council quarterly report says that a new operator in the eighth round, Amerada, may be looking for office space in the city as an exploration base.

Drivers Jonas says the take-up shows a clear three year cycle and has fallen from the high of last summer. Some west end rents quoted have reached £3.50 per sq ft.



Aberdeen's skyline from the harbour



Logging in Solway Forest, Dumfries

Farmland loses lease-back appeal

AGRICULTURAL property in Scotland has been losing some of its attractions recently for the institutional investor. Until the middle of last year the pension funds, and other big buyers, looked to prime farm land as a source of good income.

Lease-backs provided one useful form of investment in this sphere. A small farmer anxious to increase his holding would lease his property to an institution to raise the money for an additional purchase of land.

The institution would gain rent from the property while the farmer would increase his land, at the same time retaining the title to his property.

Two factors have changed this picture in Scotland. First, the institutions have been finding better profits in equities and other market places.

The other factor is the emergence of individual farmers who have been buying direct and sending up land prices. Their ability to do so follows from reductions in interest rates and improved returns from good crops.

Vacant land prices have increased from a range between £1,500 and £2,000 an acre to the current level of around £2,500 for top-grade arable land in Scotland.

Differences of up to £1,000 have appeared between the values of land for vacant possession and let land.

The low level of activity in investment has left a number of last year's buyers anxious to sell off their property on the open market rather than move into lease-backs, according to a survey carried out by Savill, the estates agency.

The Savill survey, carried out with land economists Roger Tym and Partners, estimated that in Scotland institutions own about 2.1 per cent of the 4,144,408 acreage in crops and grass—about 87,500 acres.

Several factors are now making investment in forest property more interesting.

① The Forestry Commission, the main woodland landlord, is selling £32m of its property to the private sector over the next three years.

② The private sector woodland, cut extensively for use in the war years, is now reaching maturity for marketing.

③ Financial institutions have taken a more active interest in forests as a long term investment.

④ Private individuals have shown a liking for small purchases of forest property.

The fact that Britain still imports 82 per cent of its timber is reason enough for a campaign to make better use of the country's wood resources.

Last November's 15-year development programme was published for the £57,000 hectares of productive softwood forests in Scotland—an

area 30 per cent larger than the woods of England and Wales together, most of the wood is spruce. The acreage is growing about 22,000 hectares a year with an active replanting programme by both the public sector represented by the Forestry Commission and private timber growers.

A development programme was drawn up by consultants Arthur D. Little for the Scottish Development Agency, the Highlands and Islands Development Board, the Forestry Commission, Timber Growers (Scotland) representing private growers, and the Scottish Economic Planning Department.

The thrust of the programme was to develop the downstream industries of sawmills, panel and board production and pulp and paper to encourage better wood use.

80% increase

Timber consumption, the Arthur D. Little report concluded, would increase 80 per cent by the end of the year.

This growth, plus sales in Forestry Commission property are going to make the market active this coming year.

The Government requirement that the Forestry Commission reduce its £40m grant in aid through sales of its forest land has led to the Commission planning a total sale of £82m in land by 1986.

The Commission owns about 60 per cent of the woodland throughout the UK. This proportion applies to Scotland as well with 340,000 hectares of the 557,000 hectares held by private landowners.

About £18.5m, or 3,433 hectares throughout Britain has been sold since July 1981 and at present 41,000 hectares with a market value of about £29m is on the market.

Land agents say that the size of the Commission holdings and the scope of their sales will tend to push forestry prices down for the foreseeable future.

The bare land is attractive to some investors in the high tax bracket as tax concessions for planting can be claimed, according to Angus Crow of surveyors John Clegg.

Financial institutions have shown growing interest in its woodland for its long-term investments—it takes 30 years for a woodland to reach full maturity.

Woodland between 15 and 18 years old accounts for the largest proportion of the property market—this is wood suitable for chipboard or pulp industries.

Agents have noticed that small tracts of forest have become more attractive to the small investor seeking either long-term capital growth for his money or a wood area for recreation or holiday use.

Mark Meredith

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THE PROPERTY MARKET

BY ANDREW TAYLOR

SHARE PRICES

Stockbrokers scent modest recovery

STOCKBROKERS are beginning to scent the possibility of a modest recovery in the commercial property sector which they believe could be under way by the end of this year regardless of the election outcome.

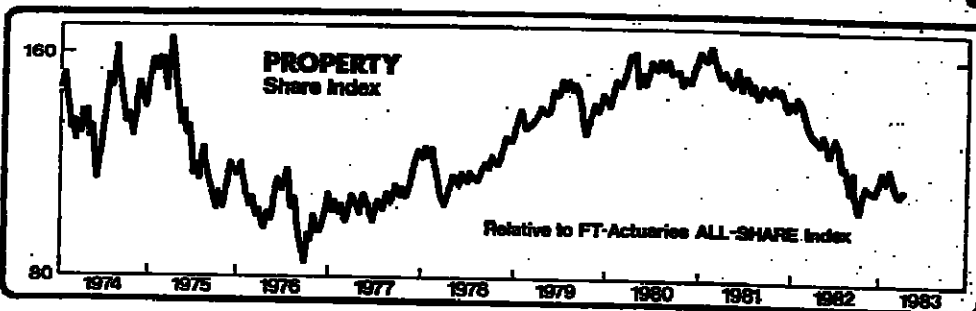
"It could be a heads I win, tails you lose election for property," says Peter Hardy of Rowe and Pitman. "provided a Labour government did not try to introduce rent controls."

"A Conservative victory will boost business confidence, while demand for property should rise as companies expand in expectation of further improvements in consumer demand," says Nareesh Gudka of Scrimgeour Kemp-Gee.

"Ironically a Labour victory might provide an even stronger boost to the property sector. Traditionally Labour has been antagonistic to the idea of 'property exploitation' but its efforts to restrict the profits of property developers have often had the opposite effect to the one desired," says Mr Gudka.

Scrimgeour says that even a hung parliament with a strong Alliance influence could still benefit the property sector with the Alliance likely to pursue a policy of modest restraint.

Analysts at Scrimgeour, Rowe and Pitman and Vickers de Costa believe that a fragile recovery may already be under way in the commercial property market. This might be curtailed until after the general election but could not be postponed indefinitely unless there were a dramatic change in Government policies.



"The outlook for property has certainly taken a turn for the better since Christmas," says Nareesh Gudka. "Demand has increased, lettings are better and in some key areas of the market there has been a very slight hardening of rents."

"There is always the danger of wishful thinking, misinterpreting a normal seasonal pick-up as something more lasting. This time, however, the improvement has been steady and is continuing," says Gudka.

Gordon Ireland of stockbrokers Vickers de Costa says the pace at which the country's stock of empty offices and industrial premises has been growing has slackened considerably since last autumn—a fact which he expects to be confirmed with the publication today of King and Co's latest industrial space survey.

"The General Election may mean that some investment decisions will be deferred but I would expect to see more positive signs of recovery in the property market by the end of the summer," says Mr

Ireland. "I think there is no doubt that the market is over the worst."

Peter Hardy of Rowe and Pitman says: "If the economic recession bottomed out in October and November, as many now believe, then it would be logical to expect increased demand for industrial and commercial accommodation to start feeding through by the end of this year, certainly by the first quarter of 1984. I would expect property share prices to reflect this improvement somewhat before then."

Property share prices, relative to other stock market sectors, reached their lowest point for five years last November when the property share index relative to the FT all-share index stood at 100. The index is now poised around the 108 mark having reached 113.5 in February still some way off its best.

Garth Evans of Scrimgeour says: "A number of factors have swung back in favour of property as an investment

medium. A slight rise in prime property yields has coincided with a sharper decline in gilt yields which has helped investment comparisons."

"For example a prime office investment yielding 4.5 per cent at the end of 1981 would have needed to achieve rental growth of at least 12 per cent a year to match a redemption yield of 15.6 per cent on a 25-year high coupon gilt. Today the same office would only need to achieve rental growth of around 6 per cent a year to match the comparable return on gilts."

Patrick Galvin at De Zoete and Bevan, however, is less optimistic. He says institutions are still fighting shy of making new investments, discouraged by oversupplies of space in the office and industrial sectors.

He disagrees with his colleagues that the sector might be overdue a re-rating and while he doesn't expect to see any further fall in the sector's rating he does not foresee any great improvement.

Greycoat progress

HARD on the announced departure of Stuart Lipton from executive office, the Greycoat City Offices show signs of progress. A funding in an area where Mr Lipton is still involved in a consultative capacity.

In Mayfair, the recently modernised 65 Brook Street has been let to the Arabian Investment Corporation for over 218 per sq ft for just under 10,000 sq ft net — via letting agents Jones Lang Wootton and Anthony Lipton.

In New York, Greycoat and its U.S. partner, Hanover Real Estate, have got together with a leading UK pension fund — rumoured to be Mars UK — to complete the purchase of 1180 Avenue of the Americas.

Including refurbishment, total cost of the project is around \$35m. Greycoat had already secured a medium term loan of some \$33m from a New York banking consortium and an existing mortgage acquired with the property took the total up to \$40m.

LONDON SHOP PROPERTY, advised by Knight and Co, has bought the freehold of Six Acre Centre, Sale, Cheshire, from the Prudential Assurance Company for over \$4m in cash.

The deal can be seen as a tidying up operation for the "Pru" which only had a partial interest in a phased, mixed development of 56 shop units (including large stores let to Boots, W. H.

Deadlock broken at Snow Hill

YEARS of wrangling over the prime Snow Hill station site in Birmingham have ended with much bonhomie and the start of work by Viking Properties on a £25m development in which Sun Alliance has played a leading role.

The station was last used by British Rail 11 years ago. During that period countless proposals, objections and variations were put forward, with an embarrassing failure to rid the city of an eye-sore.

City Wall Properties was the first developer to be involved but dropped out after changes in office market conditions caused problems, and a plan for Tesco to take the ground floor as retail space also foundered.

Viking Property of Derby, headed by Mr Brian Ashby, was appointed as developer four years ago and has managed to bring the five parties involved into agreement—but not without despair on occasions, he admits.

The complications arose mainly through the key position of the site and consequent design considerations, the joint ownership of the land by BR

and Birmingham City Council and early proposals to build a large single block which would have involved a heavy commitment by a single funding institution.

The deadlock was finally broken, according to Viking, after the involvement of Sun Alliance, which is funding the first two separate blocks in the development, to be called Colmore Court, for its own use as new regional offices.

This part of the project, amounting to 66,000 sq ft will be completed by the middle of next year and lease terms have been agreed with accountants Arthur Young, McAlland Moores for occupation of the second stage of Colmore Court containing 40,000 sq ft of space.

Viking is also confident that funding for completion of the development will be made available soon and hopes to go ahead with the remaining 77,000 sq ft block of air conditioned offices well before the completion of the first buildings.

Mr Geoffrey Anderson, managing director of Viking, said: "It is not surprising that this was a difficult project, since we

had five parties whose objectives had to be met, but Sun Alliance acted as a catalyst by requiring an occupation date."

An additional problem was the need for a railway station to be incorporated into the design since the West Midlands Passenger Transport Executive has plans to run suburban trains through the site. Work on this is expected to start next year. British Rail Property Board, for its part, is relieved to see the end of negotiations on one of its prime properties, although it points out that the incoming it derives from car parking and other short term activities on these sites is often larger than ground rents.

The Council, which owns one-fifth of the land against BR's four-fifths, is equally pleased with the prospect of a prestigious new development in the city centre—the second in two weeks, since plans for the completion of Paradise Circus has also been finalised.

Although terms of the letting to Arthur Young have not been disclosed, Colmore Court is expected to generate rents approaching £10 a sq ft.

LOIS BARLING

LONDON and York Property Investment for over 51m. Agents Richard Ellis and Stuart News will be joint consultants for a redevelopment scheme involving the demolition of the existing, 515 ft high building, to be replaced by up to 200,000 sq ft of warehouse/industrial space.

Proponents of a letting-recovery in Central London

will be sustained by Town & City's progress at 125 Shaftesbury Avenue. Close on the heels of £1,000 sq ft of the building, a total to British Telecom. Petroleum Development has virtually doubled its accommodation in the building by leasing the 20,000 sq ft second floor through joint letting agents Moss & Partners and Havel & Baker.

Mr Geoffrey Anderson, managing director of Viking, said: "It is not surprising that this was a difficult project, since we

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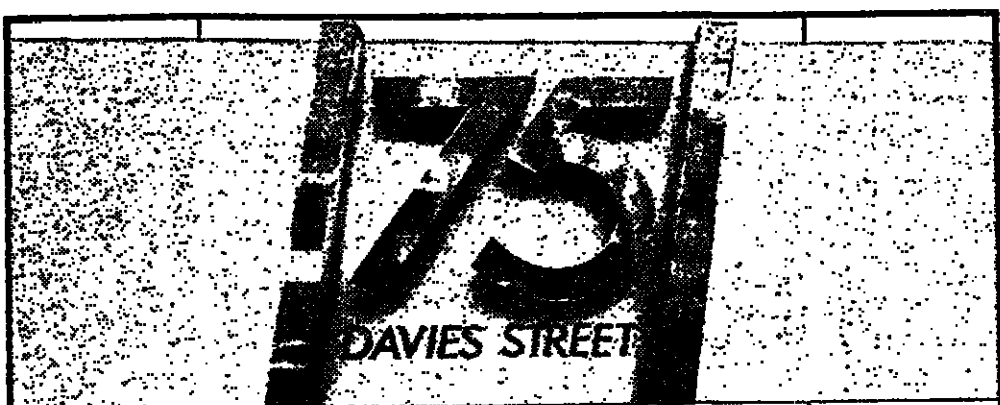
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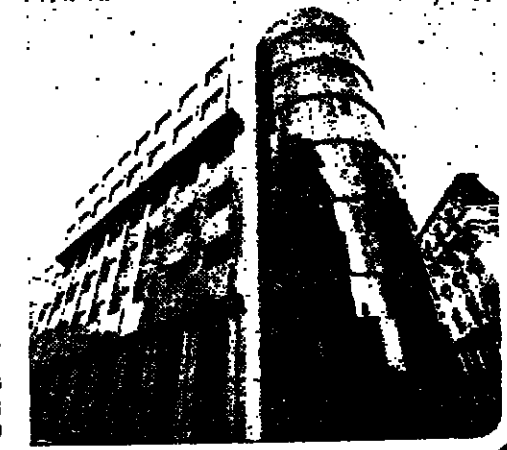
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SECTION III - INTERNATIONAL MARKETS
FINANCIAL TIMES

Friday May 13 1983

WALL STREET

A passing cloud of pessimism

A CLOUD passed over Wall Street yesterday, obscuring for a while the market's bright view of interest rate prospects, writes Terry Byland in New York.

An unexpectedly sharp rise in retail spending over the past two months, disclosed by the Commerce Department, raised the old doubts as to whether overheating in the economy might force interest rates up again.

For most of the day, the Dow Jones Industrial Average struggled to regain ground lost in the morning, but by the close was still down 5.32 at 1,214.40.

Investors backed away from the credit markets ahead of the announcement of M2 money supply statistics, a key factor in Federal Reserve Board policies.

In the meantime, hopes of a cut in the Federal discount rate receded by mid-session, yields on Treasury bills were nine basis points or so higher than overnight and bond prices were slipping lower.

The equity market remained preoccupied with its mild bout of profit-taking which was centred on particular blue chip issues rather than spread over the market as a whole.

Oil shares, still benefiting from this week's recommendation by a major bro-

kerage house, tried to extend the gains of the previous session. Gulf Oil held a 5% gain at \$35 1/4, while Exxon, which is to buy in three bond issues, shed 5% to \$34 1/4 and Mobil at \$31 had lost 5%.

Monsanto suffered further selling, putting the shares 5 1/4 down at \$84 1/4 on continued investment unease after comment from brokerage houses on the pending Agent Orange suits.

Rejection by the shareholders of the stock conversion plan left Massey-Ferguson 5 1/4 off at \$57 1/4.

Reports that Chrysler would shelve its request that the U.S. Government forgo its right to buy shares well below market value trimmed the share price by 5% to \$25 1/4.

American Motors fell sharply again, losing 5% to \$39. Ford Motor shed 5% to \$49 1/4 and General Motors at \$68 lost 5%.

In a weak computer and technology sector, IBM did well to shed only 5% to \$114 1/4. Data General, still hurting from the board's forecast, fell a further 5 1/4 to \$57 1/4.

Domestic fare cutting at Pan American helped the shares gain 5% to \$59 1/4. Eastern also edged up to \$38. But Trans World fell 5% to \$32 1/4 after the stockholders rejected plans to break up the group.

In the credit markets, Congressional approval for an increase in the Treasury debt ceiling had been widely expected and brought no further change in prices. But a weak opening in the Treasury bill sector was confirmed by a rise in the Federal funds rate from its opening level of 8 1/4 per cent to 8 1/2 per cent.

Three-month Treasury bills were at a discount of 8.02 per cent, compared with 7.95 per cent overnight, with the six-

month at 8.09 per cent against 7.95 per cent.

The benchmark long bond, the 10% per cent of 2012, fell back through the 100 level at one time but rallied to close at 100, a fall of 1/8 on overnight.

In the municipal sector, prices tended to shed 1/2 point or so in line with the Government bond prices. The chief feature was the pricing of a \$100m San Antonio gas and electric issue to yield 8.85 per cent.

Canadian stock prices were generally lower. Toronto oil and gas issues were off, as were golds, metals, properties and constructions. Prices in Montreal also declined but not as sharply as Toronto.

LONDON

Shortage of inspiration dulls trading

ANOTHER uninspired session in London left business volume mediocre and the bulk of industrial shares easier. The broad-based index of equity trends, the FT-Actuaries All-Share, fell for the tenth consecutive day while the FT Industrial Ordinary share index closed 4 down at 868.8, extending this week's loss to nearly 28.

Lack of investment incentive was an obvious factor. An even more encouraging opinion poll of the Conservative's election chances made little impression and investors appeared in no hurry to re-invest funds obtained recently via profit-taking sales while dealers remained cagey.

Many still viewed Tuesday's shake-out in disbelief and made every effort to maintain square books.

Some equity sectors witnessed activity with paint issues reviving after Ruben's offer of share exchange terms, or a cash alternative, for Camrex.

Another twist in the intriguing Linford/Fitch Lovell saga emerged through the former's counter to Safeway's offer for Key Markets. Linford's bid for Fitch/Lovell received approval yesterday from the Monopolies Commission but Linford will not proceed if Fitch's Key Markets division is acquired by Safeway.

The closure of most continental European centres for Ascension Day affected business in currency markets and sterling consequently retained a quietly firm trend. Gilt-edged markets similarly experienced a light trade but quotations throughout the list drifted a shade easier on scattered offerings. High-coupon longs sometimes closed 1/4 off, while short-dated stocks eased a maximum of 1/4. The larger-than-expected central government borrowing requirement for April was a dampener on sentiment.

Recently buoyant mining markets finally ran out of steam. Profit-taking in precious and base-metal prices and the absence of fresh support from Johannesburg and Europe led to quiet trading enlivened only by profit-taking by London operators.

South African golds lost ground from the outset. An initial mark-down was followed by long periods of inactivity. Consequently share prices drifted to close at the day's lowest levels but falls were generally minimal and the Gold Mines index showed a 2.4 decline at 678.1.

An uncertain performance by the bullion price added to the unsettled tone in the share market the metal price dipping to around \$437 an ounce prior to closing at \$439.5.

Profit-taking was most noticeable in Randfontein, which dropped £3 1/2 to £109 and Winkelsbaak, almost £1 cheaper at £30, but the leaders provided a firm feature in Buffels which moved up £4 to £43 1/2. Grootvlei was outstanding in the second-line issues adding £1/4 at a 1983 high of £13.

Easier metal prices prompted a similar trend in London Financials, where Gold Fields retreated 7p to 553p. Platinums also gave ground with Impala 15p off at 828p and Lydenburg 5p cheaper at 445p.

Leading Australians turned easier in much quieter trading. CRA fell 7p to 288p ex the rights issue.

Falls in the industrial leaders rarely exceeded a few pence. Glaxo, however, weakened 60p to 80p partly on U.S. selling, while the half-yearly results from BOC, 2p lower at 206p, after 202p, failed to inspire.

Share information service,
Pages 40-41

AUSTRALIA

Fall stemmed

Shares suffered a reverse in early trading in Sydney after their strong advances during the previous two days, but they later steadied in moderately active trading.

The All Ordinaries index, which was down 2 within the first hour, recovered to end 0.8 ahead at the year's high of 618.4. Industrials moved ahead while the rest of the market eased overall in trading that was well below that of the previous two days.

The weakest sector was mining. CRA, which began trading ex-rights to its A\$200m issue, led the downturn among heavyweights, falling 18 cents to A\$5.15 in Melbourne and 30 cents to A\$5.12 in Sydney, in very heavy trading.

SWEDEN

Stockholm scales the peaks

STOCKHOLM's bourse has climbed to peak after peak, practically without pause, over the last two years in what traders describe as a phenomenon, writes David Brown in Stockholm.

The Veckans Affärer Index has grown 48 per cent this year and 183 per cent in two years. Forest product shares are up 54 per cent, chemicals up 58 per cent and manufacturing up 66 per cent.

Shares in Volvo have climbed 424 per cent in two years. Asea, the electrical engineering group, is up 610 per cent, while topping the list is Fortia, the pharmaceuticals group, at 771 per cent.

Other exchanges look colourless by comparison. The Frankfurt Commerzbank Index has risen 26 per cent since January and the Wall Street and London indices have grown by 17 per cent each.

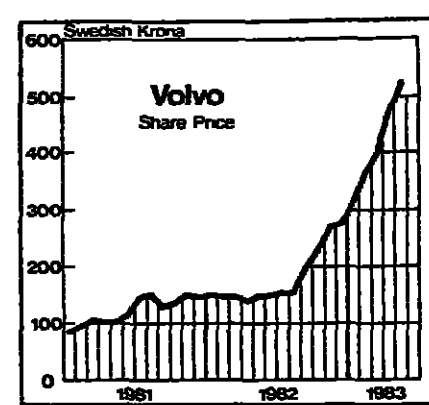
THE markets were closed in most European centres and Johannesburg yesterday for the Ascension Day holiday. However, in Milan which was open, shares closed mixed after late sales partially reversed an early upward trend, while in Madrid stocks were also mixed after an uneventful session.

Interest by foreign investors is one factor in the climb. Another is the prospect of record 1983 profits. A share-saving scheme has drawn smaller investors with its promise of a tax rebate. Swedish companies, already burdened with over-capacity, have found the market a more lucrative investment than new plant and equipment.

In all, brokers say the supply of new issues has not overtaken demand, nor has the Government implemented policy changes to counteract the boom.

Yet despite this success, Mr Bengt Gronquist, president of the exchange, is not a happy man.

Last April 29, he was forced to call a halt to share trading for seven working



days. It was the longest shutdown since the Krueger crash of the 1930s when the Swedish tycoon Aver Krueger committed suicide in Paris after the collapse of his empire.

The problem has been the central securities registry, which needed time to clear a bottleneck in its paperwork. Half owned by the Government and half by banks and brokers, it is required to deliver a share certificate within six days to finalise the transaction.

Due partly to higher trading volumes - about four times the level of last year - the delivery time has doubled.

"If we continue at this rate, we will have a yearly volume equivalent to between 40 and 45 per cent of London's," Mr Gronquist said. London trading volume last year was around \$32bn, compared with Stockholm's \$4.3bn.

When trading resumed, the securities registry was still eight days behind. After only two days, the exchange called another stop, this time for six consecutive Wednesdays, starting May 18.

While faulting the securities registry, which has been plagued by trouble in a new computer system installed to handle the volume, Mr Gronquist lays part of the blame on brokers.

The banking inspectorate requires share sellers to hand over their certificates within a day of the transaction. In many cases, however, brokers have allowed customers to hold their paper for at least a week.

Mr Gronquist is exasperated. The banking inspectorate will have to give dealers a stern "talking to" he said. The registry will have to get its house in order.

FAR EAST

Widespread declines in Tokyo

A ROUND of profit-taking in blue chip issues and populars, following Wall Street's overnight decline, led a widespread fall in shares, in active trading in Tokyo.

The Nikkei Dow industrial average lost 37.68 to finish at 8,553.90 on volume of 450m shares, while the Tokyo SE index closed at 631.40 for a loss of 2.87.

The decline was attributed to a drop in the volume of foreign purchases, partly as a result of the yen's turnaround from its recent gains against the dollar. San-yo's estimated drop in unconsolidated profit for the first half of its 1983 fiscal year also continued to depress the market.

Government bond prices weakened in light trading.

In Singapore, shares ended mixed to lower though most of the actively traded issues showed little change in price. The Straits Times index managed a 0.71 rise to finish at 960.13 on moderate trade of 16.7m shares.

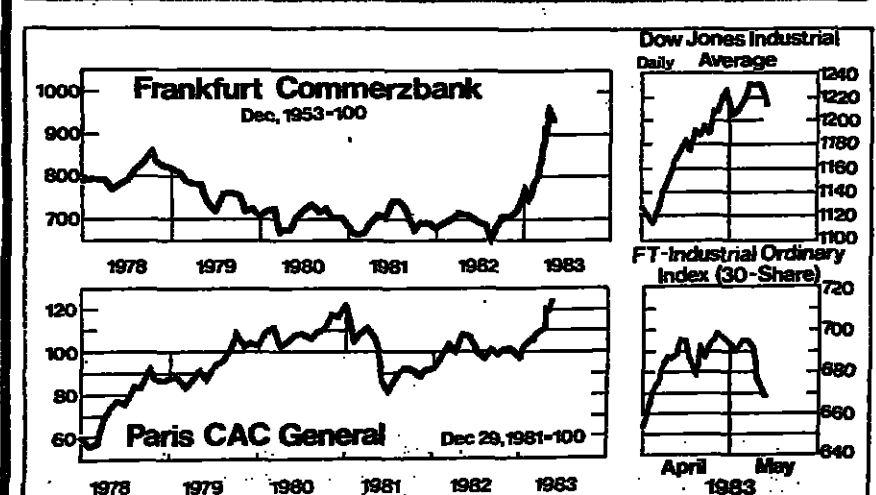
Sun Hung Kai Securities' latest Investment Focus publication noted that the Straits index had gained 30 per cent since the start of this year and while a market correction could be expected, this should not interfere with selective accumulation of fundamentally sound stocks.

Growth Industrial Holdings fell 6 cents to S\$3.64. United Motor Works 6 cents to S\$3.78. Hong Leong Finance 6 cents to S\$4.94. Malaysian Bank 15 cents to S\$8.20 and Overseas Chinese Bank 10 cents to S\$11.90.

Shares closed steady, though off the day's highs in Hong Kong after some late institutional selling and the Hang Seng index was up 9.96 at 952.98, after a 13.95 morning gain.

Among the leaders, Cheung Kong added 5 cents at HK\$8.55, Hongkong Bank 10 cents at HK\$8. Hongkong Land 3 cents at HK\$4. Hutchinson Whampoa 10 cents at HK\$12.30. Jardine Matheson 30 cents at HK\$13.40 and Swire Pacific "A" 40 cents at HK\$12.60.

KEY MARKET MONITORS



STOCK MARKET INDICES

	May 12	Previous	Year ago
NEW YORK			
DJ Industrials	1,214.40	1,219.72	865.77
DJ Transport	543.92	547.55	350.7
DJ Utilities	129.11	128.55	116.75
S&P Composite	164.25	164.96	119.17

	May 12	Previous	Year ago
LONDON			
FT Ind Ord	668.8	672.8	585.2
FT-A All-share	417.74	419.34	335.87
FT-A 500	452.21	454.07	365.91
FT-A Ind	417.28	419.49	332.52
FT Gold mines	678.1	680.5	231.8
FT Govt secs	81.04	81.15	69.21

	May 12	Previous	Year ago
TOKYO			
Nikkei-Dow	8,553.90	8,691.58	7,539.78
Tokyo SE	631.4	634.07	557.04

	May 12	Previous	Year ago
AUSTRALIA			
All Ord.	619.4	618.6	525.3
Metals & Mins.	555.7	559.8	395.6

	May 12	Previous	Year ago
AUSTRIA			
Credit Aktien	closed	56.66	52.48

	May 12	Previous	Year ago
BELGIUM			
Belgian SE	closed	122.59	94.68

	May 12	Previous	Year ago
CANADA			
Toronto Composite	2,432.1	2,451.72	1,585.9
Montreal Industrials	417.77	419.31	292.57
Combined	403.99	405.89	274.05

	May 12	Previous	Year ago
DENMARK			
Copenhagen SE	closed	144.3	93.62

	May 12	Previous	Year ago
FRANCE			
CAC Gen	closed	125.3	111.6
Ind. Tendance	closed	125.9	124.8

	May 12	Previous	Year ago
WEST GERMANY			
FAZ Aktien	closed	311.19	231.05
Commerzbank	closed	931.7	704.5

	May 12	Previous	Year ago
HONG KONG			
Hang Seng	952.98	943.02	1,987.35

	May 12	Previous	Year ago
ITALY			
Banca Comm.	191.27	191.19	185.5

	May 12	Previous	Year ago
NETHERLANDS			
ANP-CBS Gen	closed	127.7	94.7
ANP-CBS Ind	closed	106.2	74.8

	May 12	Previous	Year ago
NORWAY			
Oslø SE	closed	191.06	109.47

	May 12	Previous	Year ago
SINGAPORE			
Straits Times	960.13	959.42	778.83

	May 12	Previous	Year ago
SOUTH AFRICA			
Golds	closed	975.0	412.9
Industrials	closed	929.3	692.0

	May 12	Previous	Year ago
SPAIN			
Madrid SE	115.56	116.0	123.76

	May 12	Previous	Year ago
SWEDEN			
J & P	closed	1,506.77	583.69

	May 12	Previous	Year ago
SWITZERLAND			
Swiss Bank Corp	closed	327.7	260.2

	May 12	Previous	Year ago
WORLD			
Capital Int'l	179.1	179.1	140.8

GOLD (per ounce)

	May 12	Previous	Year ago
LONDON	\$439.50	\$443.75	\$442.50
Frankfurt	closed	\$442.50	\$442.50
Zurich	closed	\$443.50	\$443.50
Paris (filing)	closed	\$442.51	\$442.51
New York (May)	\$439.70	\$443.90	\$443.90

* Indicates latest pre-close figure

PERPETUAL UNIT TRUST
MANAGEMENT (JERSEY) LTD.**THE PERPETUAL GROUP
OFFSHORE GROWTH FUND**

Perpetual Group Offshore Growth Fund
The fund is constituted in Jersey, Channel Islands and was launched on 25th January 1983. Dealings take place on Tuesdays. The fund is denominated in US dollars and the minimum subscription is US \$2,000.

1239% Growth in less than 9 Years
This is the investment record that has attracted 7,500 investors into the £28 million Perpetual Group Offshore Growth Fund, which has out-performed all other authorised U.K. unit trusts for capital growth during the period since it was launched on 11th September 1974 to 5th May 1983.

Now for the first time these proven investment skills are available in a fund designed specifically for expatriate and overseas investors. The Perpetual Group Offshore Growth Fund is a unit trust (mutual fund) constituted in Jersey, Channel Islands, and the investment policy will be broadly the same as that of the successful Perpetual Group Growth Fund.

The Managers believe that their approach to fund management in the current international investment climate offers an exceptional opportunity for capital growth. The world in general is currently experiencing a very deep trade recession. In the Managers' opinion investments made now in many shares worldwide offer outstanding growth prospects. Indeed, similar opportunities may not occur again for many years.

Investment Objectives
The Perpetual Group Offshore Growth Fund has a single objective - maximum total growth. To achieve this growth, the Fund will invest in whatever companies, in whatever sectors of industry and commerce and in whatever countries the prospects for capital growth appear, to the Managers, to be greatest. This objective is identical to that of the Perpetual Group Growth Fund which was launched on 11th September 1974 (the units of which had risen 1239% in sterling terms with net income re-invested as at 5th May 1983). This compares to a rise in the Capital International Index of 210% which does not include re-invested income and with a rise in a sterling Building Society Share account of 97% with gross income re-invested. These results are a matter of record only. The past performance of the Perpetual Group Offshore Growth Fund should not be taken as any guarantee of the future results of the Perpetual Group Offshore Growth Fund.

Worldwide Philosophy
Perpetual will be continuing their worldwide investment approach which has been a feature of the investment philosophy of their U.K. Growth Fund. Perpetual consider this approach is of benefit to the investor who is not only relieved of the responsibility of selecting which country is the right one to be in at the right time, but also of some of the attendant switching costs between one fund and another.

Successful Management

The same investment team that has been responsible for the investment policy of Perpetual's three established U.K. authorised unit trusts has been retained to offer investment advice to the Managers for the new Perpetual Group Offshore Growth Fund.

... and, among the smaller groups, Perpetual continues to show its staying power in achieving a consistently above-average performance.

Why not send for details?

To: Perpetual Unit Trust Management (Jersey) Limited
P.O. Box 459, Commercial House, Commercial Street,
St. Helier, Jersey, Channel Islands
Tel: Jersey (0534) 74517 & 72177 Telex: 4192097 SCTCIG
Please send me details on The Perpetual Group Offshore Growth Fund (on the terms of which alone applications will be considered)

Name (Mr/Mrs/Miss)

Address



PERPETUAL

FT 13/5

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 38

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Continued on Page 35

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WORLD STOCK MARKETS

CANADA

(Closing Prices)

Stock

May 12

May 11

Price

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(Closing Prices)

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AUSTRALIA

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JAPAN (continued)

(Closing Prices)

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May 11

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Land nationalisation 'would cost a fortune'

always has been, an integral part of the Labour Party's philosophy."

The same quote is to be used by Aims of Industry in a local newspaper pre-election advertising campaign. "Keep farming free from politics," the advertisement says — "say no to nationalisation."

The Country Landowners' Association (CLA) is also mounting an anti-Labour campaign

* *British Farming — Under Threat of State Land Monopoly* price £1.

Food supplies

The European influence did not stop at exploitation, but gave the Third World people national identities instead of one founded on the village or the small tribe. But national identities lead to national governments and modern governments need things that cost money. Third World countries are al-

KEYS

SUGAR WORLD '11 '12					
	C	H	L	Low	High
Jan	8.94	9.23	8.77	9.00	9.23
Feb	8.94	9.23	8.77	9.00	9.23
Mar	8.94	9.23	8.77	9.00	9.23
Apr	8.94	9.23	8.77	9.00	9.23
May	8.94	9.23	8.77	9.00	9.23
Jun	8.94	9.23	8.77	9.00	9.23
Jul	8.94	9.23	8.77	9.00	9.23
Aug	8.94	9.23	8.77	9.00	9.23
Sep	8.94	9.23	8.77	9.00	9.23
Oct	8.94	9.23	8.77	9.00	9.23
Nov	8.94	9.23	8.77	9.00	9.23
Dec	8.94	9.23	8.77	9.00	9.23

CHICAGO

June	68.92	68.97	56.30	64.30
July	68.92	68.97	56.30	64.30
Aug	61.57	61.50	53.92	59.43
Sept	61.57	61.50	51.23	56.74
Oct	62.12	62.15	51.90	56.82
Nov	61.87	62.00	51.70	57.18
Dec	62.67	62.67	52.67	62.25
April	62.67	62.67	52.67	62.25
LIVE HOGS 30,000 lb, cents/lb				
	Closo	High	Low	Pr
June	50.60	50.67	50.07	50.00
July	50.60	50.67	50.07	50.00
Aug	47.77	47.82	47.50	47.50
Sept	46.77	47.90	47.52	47.50
Oct	47.17	44.50	44.10	44.10
Nov	44.12	44.96	44.29	44.29
Dec	45.50	45.60	45.50	45.50
Jan	45.50	45.50	45.50	45.50
Feb	47.56	47.56	47.56	47.56
March	47.56	47.56	47.56	47.56
June	47.90	47.90	47.90	47.90
MAIZE bushel				
	5,000	bu	min.	cents/56

May	289.6	302.0	297.2	304
July	302.4	306.0	308.4	336
Sept	294.0	298.0	292.0	300

March	297.4	300.6	295.6	302.0
May	305.6	309.0	304.0	309.0
July	310.8	314.0	310.0	314.0
PORK BELLIES 35,000 lb., cents/lb				
	Clos	High	Low	Pr
May	68.77	69.05	68.25	68.77
August	67.40	67.85	66.75	67.40
July	64.55	65.20	64.20	64.55
Feb	63.50	64.25	63.00	64.25
March	63.85	64.55	63.50	64.55
May	64.95	65.55	64.60	65.55
July	64.00	64.00	63.75	64.00
August	61.95	61.95	61.95	61.95
SOYABEANS 5,000 bu min, cents/60 bushel				

May	616.2	617.0	610.2	613.0
July	628.0	631.0	624.4	627.0
Aug	634.0	638.6	631.2	632.0

Nov	854.0	854.6	847.4	851.0
Jan	665.0	668.8	660.0	664.0
March	679.0	679.0	675.0	677.0
May	690.0	690.0	688.0	687.0
July	700.0	701.0	695.6	697.0
SOYABEAN MEAL 100 tons, S/ton				
	Close	High	Low	Pr-
May	178.3	178.3	178.1	177.0
July	182.8	183.0	181.0	182.0
Aug	184.5	184.5	182.5	183.0
Sept	186.5	188.5	184.5	185.0
Oct	186.0			

Dec	192.8	193.6	190.5	191.5
Jan	195.0	196.0	192.6	193.5
March	200.0	200.0	196.0	197.5

	1956	1957	1958	1959	1960	1961
July	19.56	19.66	19.66	19.66	19.66	19.66
Aug	19.80	19.80	19.80	19.80	19.80	19.80
Sept	19.83	19.80	19.81	19.81	19.81	19.81
Oct	19.80	19.80	19.80	19.80	19.80	19.80
Nov	20.25	20.45	20.45	20.45	20.45	20.45
Dec	20.45	20.45	20.45	20.45	20.45	20.45
Jan	20.45	20.45	20.45	20.45	20.45	20.45
Feb	20.45	20.45	20.45	20.45	20.45	20.45
March	20.45	20.45	20.45	20.45	20.45	20.45
April	21.10	21.15	21.15	21.15	21.15	21.15
May	21.25	21.45	21.45	21.45	21.45	21.45
June	21.25	21.45	21.45	21.45	21.45	21.45

WHEAT	5,000	bu	1962	1963	1964	1965
Close	38.00	High	38.00	38.00	38.00	38.00
Low	37.50	Low	37.50	37.50	37.50	37.50
May	37.50	37.50	37.50	37.50	37.50	37.50
July	37.50	37.50	37.50	37.50	37.50	37.50
Sept	37.50	37.50	37.50	37.50	37.50	37.50
Dec	37.50	37.50	37.50	37.50	37.50	37.50
Jan	37.50	37.50	37.50	37.50	37.50	37.50
Feb	37.50	37.50	37.50	37.50	37.50	37.50
March	37.50	37.50	37.50	37.50	37.50	37.50
April	37.50	37.50	37.50	37.50	37.50	37.50
May	37.50	37.50	37.50	37.50	37.50	37.50
June	37.50	37.50	37.50	37.50	37.50	37.50

SPOT PRICES—Chicago	1962	1963	1964	1965
17.50	17.50	17.50	17.50	17.50
York	17.50	17.50	17.50	17.50
Jan	17.50	17.50	17.50	17.50
Feb	17.50	17.50	17.50	17.50
March	17.50	17.50	17.50	17.50
April	17.50	17.50	17.50	17.50
May	17.50	17.50	17.50	17.50
June	17.50	17.50	17.50	17.50
July	17.50	17.50	17.50	17.50
Aug	17.50	17.50	17.50	17.50
Sept	17.50	17.50	17.50	17.50
Oct	17.50	17.50	17.50	17.50
Nov	17.50	17.50	17.50	17.50
Dec	17.50	17.50	17.50	17.50
Jan	17.50	17.50	17.50	17.50
Feb	17.50	17.50	17.50	17.50
March	17.50	17.50	17.50	17.50
April	17.50	17.50	17.50	17.50
May	17.50	17.50	17.50	17.50
June	17.50	17.50	17.50	17.50
July	17.50	17.50	17.50	17.50
Aug	17.50	17.50	17.50	17.50
Sept	17.50	17.50	17.50	17.50
Oct	17.50	17.50	17.50	17.50
Nov	17.50	17.50	17.50	17.50
Dec	17.50	17.50	17.50	17.50
Jan	17.50	17.50	17.50	17.50
Feb	17.50	17.50	17.50	17.50
March	17.50	17.50	17.50	17.50
April	17.50	17.50	17.50	17.50
May	17.50	17.50	17.50	17.50
June	17.50	17.50	17.50	17.50
July	17.50	17.50	17.50	17.50
Aug	17.50	17.50	17.50	17.50
Sept	17.50	17.50	17.50	17.50
Oct	17.50	17.50	17.50	17.50
Nov	17.50	17.50	17.50	17.50
Dec	17.50	17.50	17.50	17.50
Jan	17.50	17.50	17.50	17.50
Feb	17.50	17.50	17.50	17.50
March	17.50	17.50	17.50	

